

Adopted Operating Budget and Capital Improvements Program

FY 2004
City of Rockville, Maryland

Fund Summaries

Pages 41 - 94

FY 2001-FY 2004 All Funds Summary

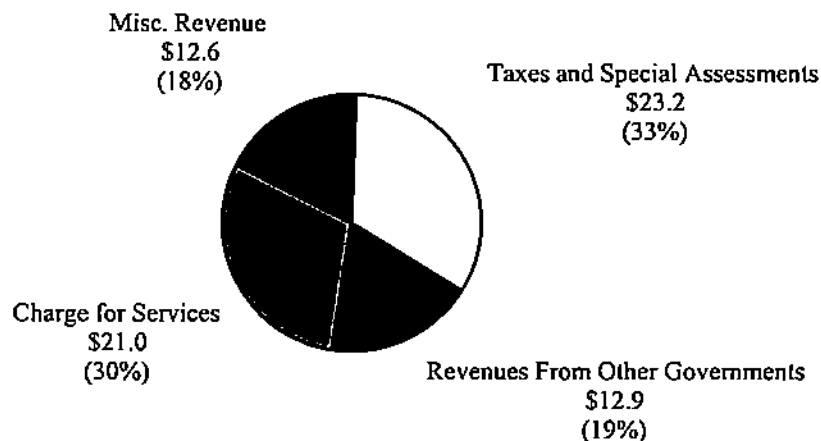
This table represents a financial summary of all of the operating fund revenues that comprise the City's financial accounting system. A fund, the separate accounting entity created to track specific revenue and expenditure activity, is the basic component of governmental finance. Below is a graphic summary of the all funds revenues.

All Funds Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Taxes/Special Assessments	\$18,438,498	\$20,388,963	\$21,585,000	\$23,205,500	7.51%
Licenses, Permits, and Fees	3,127,166	2,952,296	2,709,150	2,290,150	-15.47%
Revenue-Other Governments	13,763,286	13,356,309	13,670,254	12,895,269	-5.67%
Charges for Services	18,592,325	19,600,756	19,471,328	21,110,125	8.42%
Use of Money and Property	1,898,998	1,046,931	706,211	665,719	-5.73%
Other Revenue and Fines	7,012,052	6,926,229	6,384,875	7,400,738	15.91%
Appropriated Fund Balance ⁽¹⁾	<u>0</u>	<u>0</u>	<u>4,611,125</u>	<u>2,182,057</u>	<u>-52.68%</u>
Total Revenues	<u>\$62,832,325</u>	<u>\$64,271,484</u>	<u>\$69,137,943</u>	<u>\$69,749,558</u>	<u>0.88%</u>

(1) For all Enterprise Funds, fund balance is referred to as retained earnings.

Total Revenues of \$69,749,558

(Chart is in millions)



Misc. Revenue includes: Licenses, Permits, and Fees \$2.3 million or 3%; Use of Money and Property \$0.7 million or 1%; Revenue and Fines \$7.4 million or 11%; and Appropriated Fund Balance or Retained Earnings \$2.2 million or 3%.

FY 2001-FY 2004 All Funds Summary

— Continued —

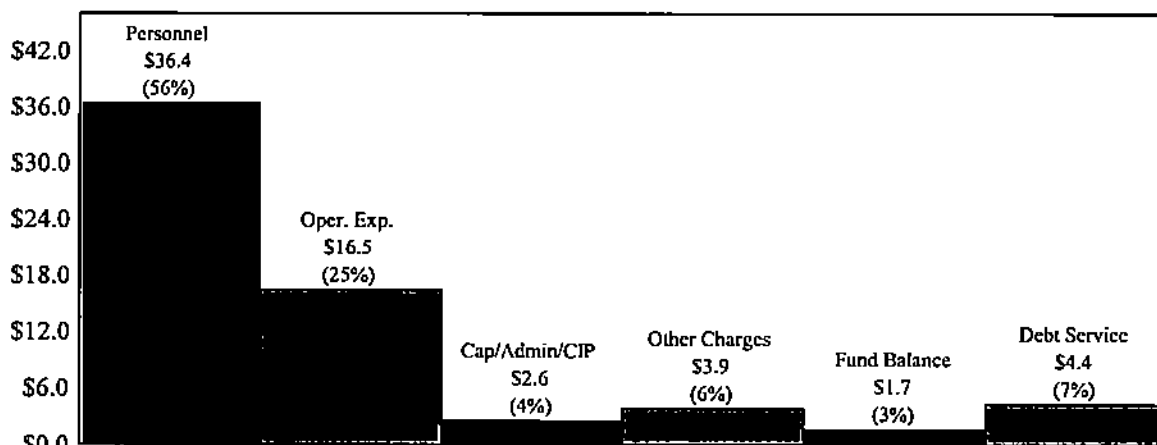
This table represents a financial summary of all of the operating fund expenditures that comprise the City's financial accounting system. A fund, the separate accounting entity created to track specific revenue and expenditure activity, is the basic component of governmental finance. Below is a graphic summary of the all funds expenditures.

All Funds Expenditures:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$28,447,841	\$31,023,948	\$34,167,680	\$36,434,055	6.63%
Operating Expenditures	12,139,572	13,114,060	16,515,606	16,546,180	0.19%
Capital Outlays	1,072,624	1,117,365	1,150,262	926,447	-19.46%
Administrative Charges	1,168,238	1,203,285	1,231,384	1,268,325	3.00%
Other Charges	2,989,808	3,268,683	3,440,152	3,907,941	13.60%
Contributions to CIP	3,028,706	4,700,000	3,061,248	431,500	-85.90%
Add. Fund Bal./Ret. Earn.	0	0	1,018,413	1,693,539	66.29%
Debt Service	<u>4,248,288</u>	<u>4,737,079</u>	<u>4,469,461</u>	<u>4,416,363</u>	<u>-1.19%</u>
Subtotal	\$53,095,077	\$59,164,420	\$65,054,206	\$65,624,350	0.88%
Debt Service Fund ⁽¹⁾	<u>5,886,011</u>	<u>3,238,190</u>	<u>4,083,737</u>	<u>4,125,208</u>	<u>1.02%</u>
Total Expenditures	<u>\$58,981,088</u>	<u>\$62,402,610</u>	<u>\$69,137,943</u>	<u>\$69,749,558</u>	<u>0.88%</u>

⁽¹⁾ The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already counted as debt service expenditures in originating funds, there is essentially a double-counting effect when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.

Total Expenditures of \$69,749,558

(Chart is in millions)



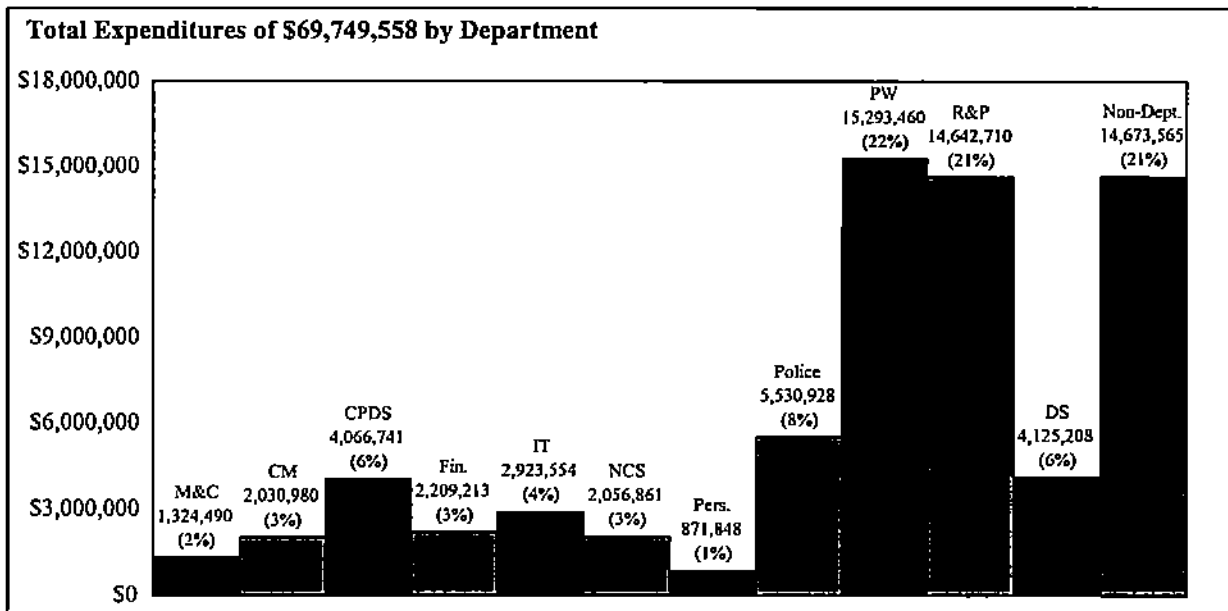
Note: Capital Outlay \$0.9 million or 1%, Administrative Charges \$1.3 million or 2%, and Contribution to CIP \$0.4 million or less than 1% have been combined for the purposes of this chart and are called Cap/Admin/CIP. The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already listed as Debt Service expenditures within originating funds, there is essentially a double-counting effect when the Debt Service Fund records the same expenditure. For this reason, the Debt Service Fund amount of \$4,125,208 is not included in this graph.

FY 2001-FY 2004 All Funds Summary by Department

The table below summarizes the budgets, by department, for all funds combined.

All Funds Expenditures by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Mayor and Council	\$1,130,686	\$1,294,186	\$1,249,087	\$1,324,490	6.04%
City Manager	1,633,999	1,835,756	2,184,140	2,030,980	-7.01%
Community Plan./Devel.	2,805,455	3,113,290	3,951,936	4,066,741	2.91%
Finance	1,790,101	1,958,694	2,176,268	2,209,213	1.51%
Information and Technology	2,430,889	2,822,652	3,337,563	2,923,554	-12.40%
Neighborhood/Comm. Serv.	1,275,851	1,548,399	1,866,010	2,056,861	10.23%
Personnel	757,021	820,655	915,252	871,848	-4.74%
Police	4,355,437	4,568,667	5,190,486	5,530,928	6.56%
Public Works	12,388,910	12,888,852	14,611,248	15,293,460	4.67%
Recreation and Parks	12,057,010	13,211,980	14,682,830	14,642,710	-0.27%
Non-Departmental	<u>12,469,718</u>	<u>15,101,289</u>	<u>14,889,386</u>	<u>14,673,565</u>	<u>-1.45%</u>
Subtotal	\$53,095,077	\$59,164,420	\$65,054,206	\$65,624,350	0.88%
Debt Service Fund ⁽¹⁾	<u>5,886,011</u>	<u>3,238,190</u>	<u>4,083,737</u>	<u>4,125,208</u>	<u>1.02%</u>
Totals by Department	<u>\$58,981,088</u>	<u>\$62,402,610</u>	<u>\$69,137,943</u>	<u>\$69,749,558</u>	<u>0.88%</u>

⁽¹⁾ The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already listed as Debt Service expenditures within originating funds, there is essentially a double-counting effect when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.



FY 2004 Departments by Fund Type

The chart below shows the relationship between the departments within the City's organization and the different fund types within the City's financial structure.

Department	General Fund	Total %	Enterprise Funds ⁽¹⁾	Total %	Special Revenue Funds ⁽²⁾	Total %	Department Total	Total %
Mayor/Council	\$1,304,490	2.89%	\$20,000	0.10%	\$0	0.00%	\$1,324,490	2.02%
City Manager	2,030,980	4.50%	0	0.00%	0	0.00%	2,030,980	3.09%
Comm Planning	3,306,741	7.32%	0	0.00%	760,000	58.83%	4,066,741	6.20%
Finance	1,537,889	3.40%	671,324	3.51%	0	0.00%	2,209,213	3.37%
Information/Tech	2,923,554	6.47%	0	0.00%	0	0.00%	2,923,554	4.45%
Neighborhood/CS	1,988,700	4.40%	0	0.00%	68,161	5.28%	2,056,861	3.13%
Personnel	871,848	1.93%	0	0.00%	0	0.00%	871,848	1.33%
Police	5,340,057	11.82%	190,871	1.00%	0	0.00%	5,530,928	8.43%
Public Works	5,220,888	11.56%	10,072,572	52.60%	0	0.00%	15,293,460	23.30%
Recreation/Parks	13,265,735	29.36%	1,061,292	5.54%	315,683	24.44%	14,642,710	22.31%
Non-Departmental	3,778,169	8.36%	6,316,006	32.98%	148,027	11.46%	10,242,202	15.61%
Debt Service	<u>3,613,662</u>	<u>8.00%</u>	<u>817,701</u>	<u>4.27%</u>	<u>0</u>	<u>0.00%</u>	<u>4,431,363</u>	<u>6.75%</u>
Subtotal	\$45,182,713	100.00%	\$19,149,766	100.00%	\$1,291,871	100.00%	\$65,624,350	100.00%
Debt Service Fund ⁽³⁾							<u>4,125,208</u>	
Total All Funds By Department							<u>\$69,749,558</u>	

⁽¹⁾ Enterprise Funds are designed to operate self-sufficiently through charges to customers. These funds include the Water, Sewer, Refuse, Parking, Stormwater Management, and RedGate Golf Course Funds.

⁽²⁾ The Special Revenue Funds are supported by specially restricted revenues and by general tax revenues. These funds include the Property Management, Special Activities, and Community Development Block Grant Funds.

⁽³⁾ The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already counted as debt service expenditures in the originating funds, there is essentially a double-counting effect when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.

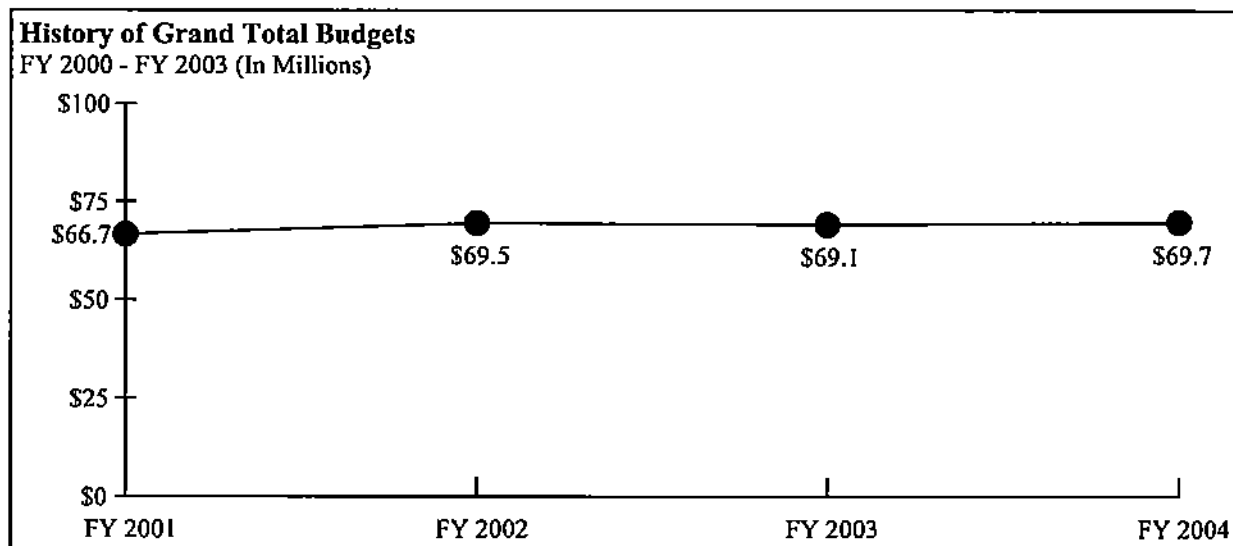
History of Budgeted and Actual Expenditures by Fund FY 2001 – FY 2004

The chart below provides a historical look at the budget versus actual expenditures for each of the City's funds. The FY 2003 Modified reflects the budget as of May 27, 2003. The percent change is between FY 2001 budget and FY 2004 adopted.

Fund	FY 2001 Actual	FY 2001 Budget	FY 2002 Actual	FY 2002 Budget	FY 2003 Modified	FY 2004 Adopted	FY 2001- FY 2004 Change
General	\$37,700,020	\$41,035,701	\$43,844,591	\$45,939,045	\$46,278,564	\$45,182,713	10.11%
Water Facility	3,803,469	4,026,977	4,176,821	4,226,326	4,509,194	5,001,789	24.21%
Sewer	3,709,845	5,131,896	3,999,118	5,555,457	5,548,927	6,170,518	20.24%
Refuse	3,861,343	4,242,263	3,996,395	4,222,208	4,400,640	4,785,470	12.80%
Property Mgmt.	572,150	601,682	0	14,100	13,225	148,027	-75.40%
Swim Center ⁽¹⁾	972,105	1,009,500	0	0	0	0	-100.00%
Parking	19,400	293,312	198,580	522,218	284,920	906,869	209.18%
SWM	603,702	1,018,381	681,515	1,288,667	1,063,922	908,274	-10.81%
Golf Course	1,217,573	1,329,124	1,369,296	1,416,798	1,538,941	1,376,846	3.59%
Special Activities	200,181	453,519	379,702	896,319	595,735	383,844	-15.36%
CDBG	435,289	1,107,242	518,402	805,998	820,138	760,000	-31.36%
Debt Service	<u>5,886,011</u>	<u>6,444,295</u>	<u>3,238,190</u>	<u>4,634,144</u>	<u>4,083,737</u>	<u>4,125,208</u>	<u>-35.99%</u>
Grand Total	<u>\$58,981,088</u>	<u>\$66,693,892</u>	<u>\$62,402,610</u>	<u>\$69,521,280</u>	<u>\$69,137,943</u>	<u>\$69,749,558</u>	<u>4.58%</u>

⁽¹⁾ The Swim Center became part of the General Fund beginning FY 2002.

The graph below compares the grand total budget for all funds combined from FY 2001 – FY 2004. The increase in FY 2002 represents a one-time transfer of undesignated fund balance from the General Fund to the Capital Projects Fund in the amount of \$3.1 million.



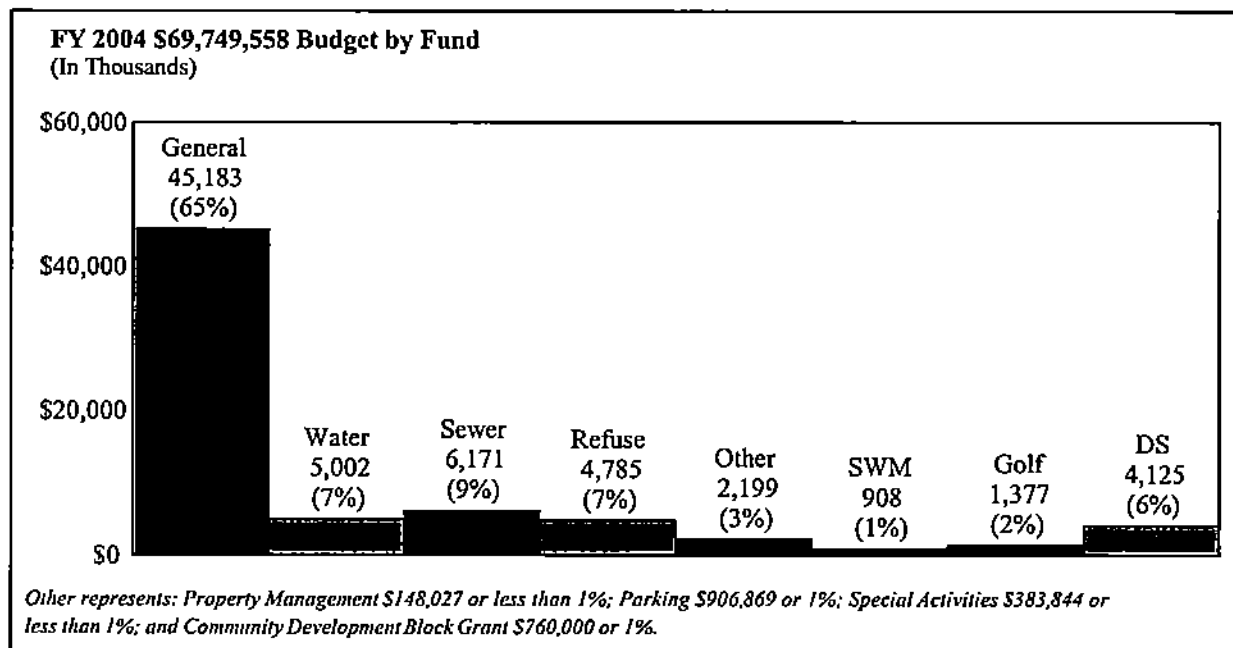
FY 2003-FY 2004 Budget Comparison by Fund

The following table compares the FY 2003 modified budget to the FY 2004 adopted budget for all funds.

Fund	FY 2003 ⁽¹⁾ Modified	FY 2004 Adopted	FY 2003-2004 Change
General	\$46,278,564	\$45,182,713	-2.37%
Water Facility	4,509,194	5,001,789	10.92%
Sewer	5,548,927	6,170,518	11.20%
Refuse	4,400,640	4,785,470	8.74%
Property Management	13,225	148,027	1,019.30%
Parking	284,920	906,869	218.29%
Stormwater Management	1,063,922	908,274	-14.63%
RedGate Golf Course	1,538,941	1,376,846	-10.53%
Special Activities	595,735	383,844	-35.57%
Community Development Block Grant	<u>820,138</u>	<u>760,000</u>	<u>-7.33%</u>
Subtotal	\$65,054,206	\$65,624,350	0.88%
Debt Service ⁽²⁾	<u>4,083,737</u>	<u>4,125,208</u>	<u>1.02%</u>
Grand Total	<u>\$69,137,943</u>	<u>\$69,749,558</u>	<u>0.88%</u>

(1) These totals reflect the FY 2003 budget as of May 27, 2003 and include the reappropriation of prior year encumbrances and other adjustments.

(2) The Debt Service Fund receives transfers from other Funds to pay off general obligation bonds. Since these transfers are already listed as Debt Service expenditures within originating funds, there is essentially a double counting when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.



FY 2003 Budget Versus Modified

Departmental and divisional summary comparisons and fund summary comparisons were calculated using the FY 2003 budget as modified in May 2003. Use of the May 2003 modified budget when comparing these totals provides a relevant historical spending comparison on a fund-wide basis. During FY 2003, the budget was modified three times: August 5, 2002, December 9, 2002, and May 27, 2003. These modifications reflect new grants, additional revenue received above estimates, and encumbrances rolled over from FY 2002 to FY 2003. The total of all the modifications between the budget adopted in June 2002 and the budget adopted in May 2003 are reflected below under the heading FY 2003 Adjustments.

Fund	FY 2003 Budget (June 2002)	FY 2003 Adjustments	FY 2003 Modified (May 2003)
General	\$43,221,382	\$3,057,182	\$46,278,564
Water Facility	4,351,153	158,041	4,509,194
Sewer	5,507,162	41,765	5,548,927
Refuse	4,367,758	32,882	4,400,640
Property Management	13,225	0	13,225
Parking	284,920	0	284,920
Stormwater Management	1,063,572	350	1,063,922
RedGate Golf Course	1,534,366	4,575	1,538,941
Special Activities	571,283	24,452	595,735
Community Development Block Grant	<u>760,000</u>	<u>60,138</u>	<u>820,138</u>
Subtotal	\$61,674,821	\$3,379,385	\$65,054,206
Debt Service ⁽¹⁾	<u>4,083,737</u>	<u>0</u>	<u>4,083,737</u>
Grand Total	<u>\$65,758,558</u>	<u>\$3,379,385</u>	<u>\$69,137,943</u>

⁽¹⁾ The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already listed as Debt Service expenditures within originating funds, there is essentially a double counting when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.

Statement of Projected Unreserved Equity in City Funds

The schedule below depicts the anticipated beginning and ending unreserved fund balance (or, in the case of an enterprise fund, retained earnings) for each of the City's 12 funds. Unreserved fund balance is the accumulated total of all prior years' actual revenues in excess of expenditures, commonly referred to as "surplus." It has not been committed "reserved" for encumbrances, self-insurance, or other purposes. Fund balance and retained earnings are a result of using Generally Accepted Accounting Principles. The projected year-end fund balance of \$7,427,775 in the General Fund amounts to 16.5 percent of annual revenues, in accordance with the approved fiscal policies.

Fund	Projected Undesignated Fund Balance June 30, 2003	Plus Projected Revenues FY 2004	Less Projected Expenditures FY 2004	Projected Undesignated Fund Balance June 30, 2004	FY 2003-2004 Change
General	\$7,678,475	\$44,932,013	\$45,182,713	\$7,427,775	-3.26%
Water Facility ⁽¹⁾	8,147,990	4,449,812	5,001,789	7,596,013	-6.77%
Sewer ⁽¹⁾	16,161,748	6,170,518	5,180,356	17,151,910	6.13%
Refuse ⁽¹⁾	1,387,785	4,097,944	4,785,470	700,259	-49.54%
Property Management	148,867	2,027	146,000	4,894	-96.71%
Parking ⁽¹⁾	768,165	906,869	205,000	1,470,034	91.37%
Stormwater Management ⁽¹⁾	6,148,595	584,371	908,274	5,824,692	-5.27%
RedGate Golf Course ⁽¹⁾	1,122,858	1,375,208	1,376,846	1,121,220	-0.15%
Special Activities	220,313	163,531	383,844	0	-100.00%
Comm. Devel. Block Grant	0	760,000	760,000	0	0.00%
Debt Service	3,604,239	4,125,208	3,914,990	3,814,457	5.83%
Capital Projects	<u>(1,720,731)</u>	<u>19,977,461</u>	<u>23,583,746</u>	<u>(5,327,016)</u>	<u>-209.58%</u>
Grand Total	<u>\$43,668,304</u>	<u>\$87,544,962</u>	<u>\$91,429,028</u>	<u>\$39,784,238</u>	<u>-8.89%</u>

⁽¹⁾ Fund Balance in these Enterprise Funds is referred to as "retained earnings."

Statement of Projected Cash in City Funds

The schedule below depicts the anticipated beginning and ending cash balances for each of the City's 12 funds. This schedule differs from the schedule on the facing page (which depicts unreserved fund balance or retained earnings). The cash balances reflected below are the projected balances in the cash and investment accounts of the City as of fiscal year end. Fund balance (or retained earnings for the enterprise funds) is the difference between all assets and liabilities for each fund and is calculated in accordance with Generally Accepted Accounting Principles (GAAP) for governmental entities. Fund balance can differ from cash balance because cash not yet received (receivables) or cash owed to others (payables or other liabilities) is reflected differently. Depreciation expense for capital items also creates differences between cash and fund balance. The largest difference between these two schedules is found in the enterprise funds because these funds contain significant fixed assets, such as buildings and equipment. The retained earnings amount represents the City's "ownership" in all of the fund's assets, including both cash and the buildings and equipment. The retained earnings amount, therefore, can be considerably higher than the amount of available cash. The projected cash balances at year end also reflect assumptions about when cash will be dispersed or received; funds for capital improvements projects are appropriated in the year that contracts are signed, even though expenditures for large projects may occur over a multi-year period.

Fund	Projected Cash Balance June 30, 2003 ⁽¹⁾	Plus Projected Cash In FY 2004	Less Projected Cash Out FY 2004	Projected Cash Balance June 30, 2004	FY 2003-2004 Change
General	\$7,376,508	\$44,932,013	\$45,182,713	\$7,125,808	-3.40%
Water Facility	2,597,132	8,960,978	9,595,912	1,962,198	-24.45%
Sewer	3,239,913	8,980,619	10,507,111	1,713,421	-47.12%
Refuse	183,065	4,244,880	4,518,871	(90,926)	-149.67%
Property Management	148,325	2,023	146,000	4,348	-97.07%
Parking ⁽²⁾	478,540	906,869	252,319	1,133,090	136.78%
Stormwater Management	9,220,472	1,562,171	2,487,882	8,294,761	-10.04%
RedGate Golf Course ⁽³⁾	18,005	1,375,208	1,782,649	(389,436)	-2,262.93%
Special Activities	220,313	163,531	383,844	0	-100.00%
Comm. Development Block Grant	0	760,000	760,000	0	0.00%
Debt Service	3,763,384	4,125,208	3,914,990	3,973,602	5.59%
Capital Projects ⁽⁴⁾	<u>1,748,983</u>	<u>19,977,461</u>	<u>23,583,746</u>	<u>(\$1,857,302)</u>	<u>-206.19%</u>
Grand Total	<u>\$28,994,640</u>	<u>\$95,990,961</u>	<u>\$103,116,037</u>	<u>\$21,869,564</u>	<u>-24.57%</u>

(1) This amount does not include cash from the refunding bond issue received on June 29, 2003.

(2) Based on adopted operating budget only; CIP expenditures for this fund will be modified substantially during the early part of FY 2004.

(3) Reflects the investment in golf carts that will be paid back over a multi-year period as revenue is received.

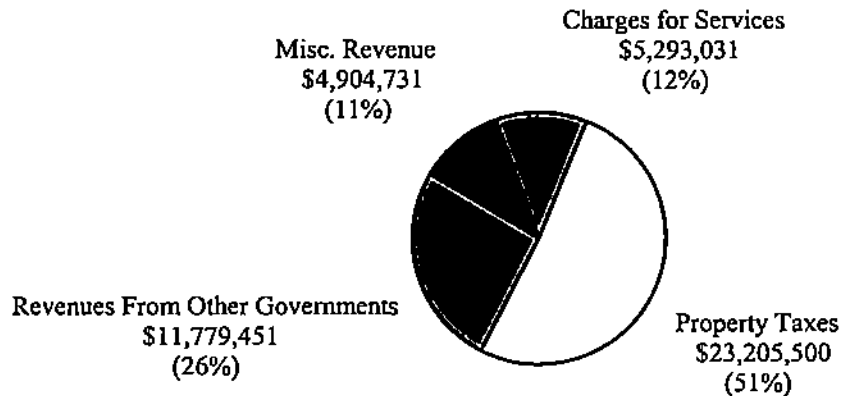
(4) Reflects federal funds of \$2.87 million owed at end of the period.

General Fund Revenues, All Sources, FY 2001 - FY 2004

Total FY 2004 General Fund revenues are budgeted at \$45.2 million, a 3.9 percent increase over the modified FY 2003 budget, net of the use of appropriated fund balance. The FY 2003 modified budget column represents the most recent budget appropriation, which was approved by the Mayor and Council on May 27, 2003. The chart below compares revenues by source from FY 2001 – FY 2004. The most significant revenue increase is in fines and forfeitures due to the Red Light Camera program revenue. The pages that follow provide detailed information on the City's major General Fund revenue sources and comparative data by source for all General Fund revenue.

Revenue/Appropriated Fund Balance:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Property Taxes	\$18,438,498	\$20,388,964	\$21,585,000	\$23,205,500	7.51%
Licenses and Permits	1,928,889	2,095,586	2,209,150	2,040,150	-7.65%
Revenue from Other Governments	13,315,175	12,641,913	12,662,751	11,779,451	-6.98%
Charges for Services	4,890,098	5,271,444	4,846,412	5,293,031	9.22%
Fines and Forfeitures	10,858	8,443	147,200	655,600	345.38%
Use of Money and Property	855,963	464,008	304,530	377,922	24.10%
Other Revenue	1,639,475	1,401,964	1,490,695	1,580,359	6.01%
Appropriated Fund Balance	0	0	3,032,826	250,700	-91.73%
Total Revenues and Fund Balance	<u>\$41,078,956</u>	<u>\$42,272,322</u>	<u>\$46,278,564</u>	<u>\$45,182,713</u>	<u>-2.37%</u>

Total Revenue of \$45,182,713



Misc. Revenue includes: Licenses and Permits \$2,040,150 or 5%; Fines and Forfeitures \$655,600 or 1%; Use of Money and Property \$377,922 or 1%; Other Revenues \$1,580,359 or 3%; and Appropriated Fund Balance \$250,700 or 1%.

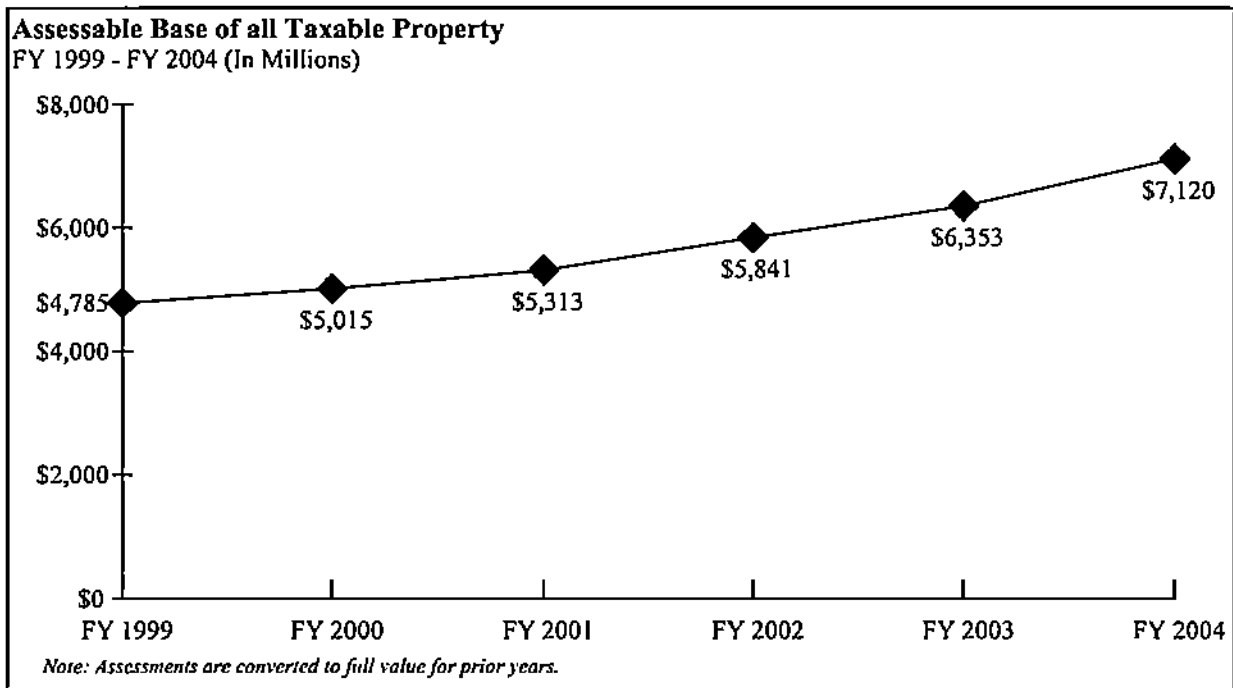
General Fund Revenues, Detail of Major Revenue Sources

Property Taxes – General

This category of revenue consists of taxes on the assessed value of real estate (including land, structures, and improvements) and taxes on the assessed value of inventory, furniture, and fixtures of business establishments. The tax rate is the amount levied per \$100 of assessed value, as determined by the State of Maryland Department of Assessments and Taxation. The Mayor and Council establish the tax rate each year in order to finance General Fund activities. In FY 2004, property taxes constitute 52 percent of the City's General Fund budget, net of appropriated fund balance.

The assessable base of all taxable property fluctuates because of changes to the fair cash value of the existing base or because of the addition of new residential or commercial properties. The City's tax base rose precipitously in the early 1990's and then fell because of rapid changes to the value of real estate. The current projected increase in the tax base is fueled primarily by development activities.

In Maryland, real property is reassessed every three years. Any increases to the assessed value are phased in over a three-year period and homeowners are further protected by a cap that limits the increase in any one year to 10 percent of the current assessed value.



General Fund Revenues, Detail of Major Revenue Sources

— Continued —

Property Taxes – Full Value Assessments

As the result of a change to State law, all real property in the City is assessed at 100 percent of value, beginning in FY 2002, rather than the 40 percent assessment rate used prior to FY 2002. For comparative purposes, assessment levels and tax rates for real property in prior years have been restated at their equivalent full value.

Personal property has always been assessed at full value. State law now specifies that personal property shall be taxed at 2.5 times the real property rate ($\$0.322 \times 2.5 = \0.805).

Real Property Tax Rate per \$100 of Assessed Value FY 1995 – FY 2004 (Restated at equivalent full value)

FY 1995 = \$0.328	FY 2000 = \$0.322
FY 1996 = \$0.328	FY 2004 = \$0.322
FY 1997 = \$0.328	FY 2002 = \$0.322
FY 1998 = \$0.328	FY 2003 = \$0.322
FY 1999 = \$0.326	FY 2004 = \$0.322

Personal Property Tax Rate per \$100 of Assessed Value FY 1995 – FY 2004

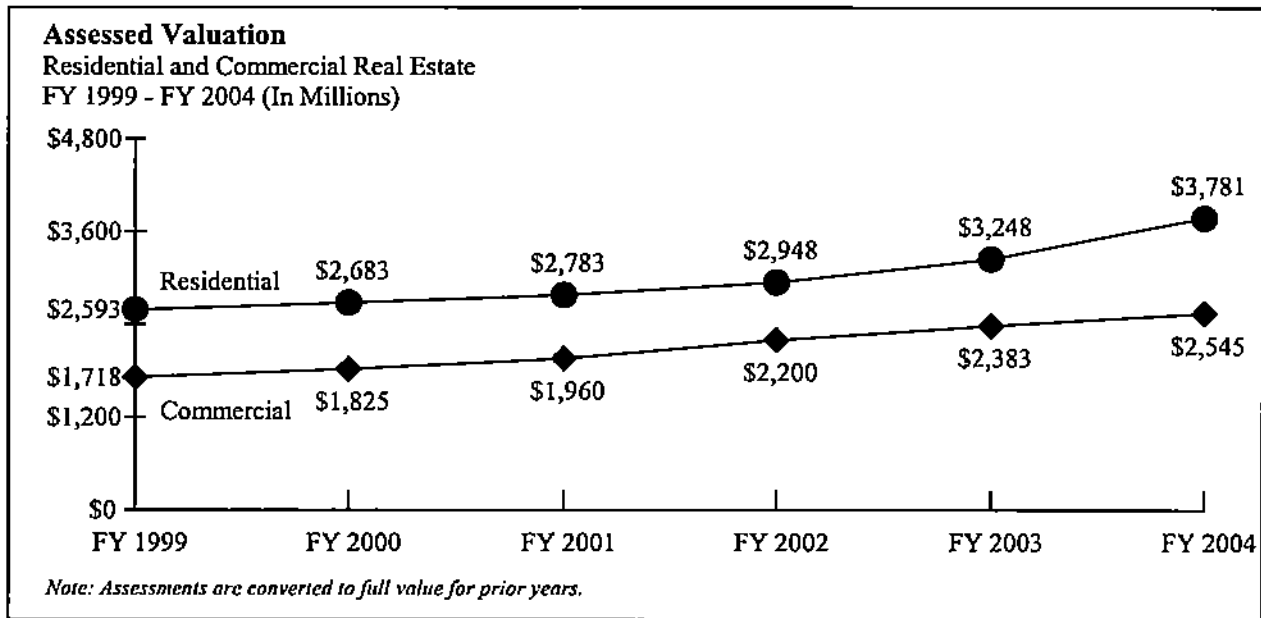
FY 1995 = \$0.82	FY 2000 = \$0.805
FY 1996 = \$0.82	FY 2001 = \$0.805
FY 1997 = \$0.82	FY 2002 = \$0.805
FY 1998 = \$0.82	FY 2003 = \$0.805
FY 1999 = \$0.815	FY 2004 = \$0.805

General Fund Revenues, Detail of Major Revenue Sources

— Continued —

Taxes on Real Property

This category of property taxes represents taxes on the assessed value of real property, which includes land, structures, and improvements. Real property taxes are levied on both residential and commercial real estate. In FY 2004, real property taxes alone constitute 44 percent of the General Fund budget, net of appropriated fund balance.



Assessed Value of Real Property History, Projections, and Percent Change for FY 1999-FY 2004:

FY 1999 Actual	\$4,375,284,705	3.91%
FY 2000 Estimate ⁽¹⁾	\$4,603,057,145	5.21%
FY 2001 Actual	\$4,881,473,288	6.05%
FY 2002 Actual	\$5,365,409,658	9.91%
FY 2003 Budget-Revised	\$5,901,325,757	9.99%
FY 2004 Budget	\$6,655,665,818	12.78%

⁽¹⁾ The FY 2000 information was not provided by Montgomery County as a result of the implementation of their new tax billing system.

Assumptions:

The FY 2004 budget for taxes on real property is based on the following information sources and assumptions:

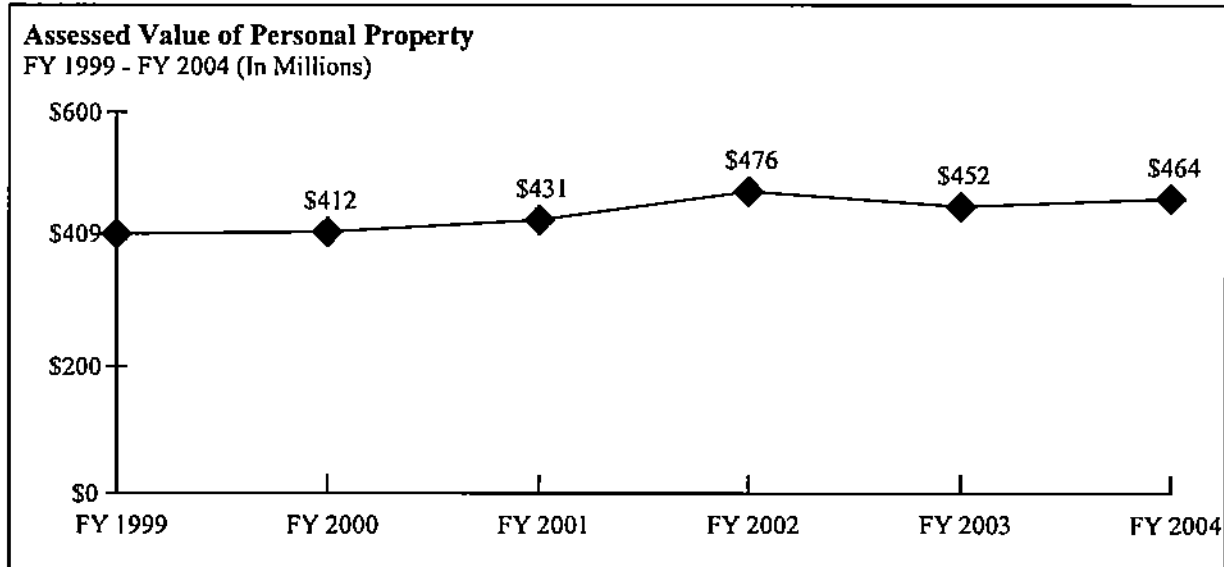
- The calculation of the assessed value begins with an estimate prepared by the State of Maryland of the assessed value of all property that will be on the tax rolls as of the beginning of the City's FY 2004, based on assessments conducted as of January 1, 2003.
- The City's estimate of the amount of residential and commercial development that would be completed and assessed during the remainder of FY 2003 and throughout FY 2004 at the King Farm and Falls Grove developments, in Town Center and at various infill sites is added to this base amount. The projection assumes the addition of the following new property during FY 2003: 803,216 square feet of commercial space, 665 multi-family units, 176 single family dwellings and 600 townhouses; and FY 2004: 1,478,008 square feet of commercial space, 1,139 multi-family units, 60 single family dwellings and 160 townhouses.
- The estimate of tax revenue is based on multiplying the assessed value times the tax rate, taking into consideration when during the year the tax on new property is levied and the impact of appeals and late payments.

General Fund Revenues, Detail of Major Revenue Sources

— Continued —

Taxes on Personal Property

The Personal Property category consists of taxes on the value of inventory, furniture, and fixtures of commercial establishments, both incorporated and unincorporated. In FY 2004, personal property taxes constitute 7.6 percent of the City's General Fund budget, net of appropriated fund balance.



Assessed Value of Personal Property History, Projections, and Percent Change for FY 1999-FY 2004:

FY 1999 Actual ⁽¹⁾	\$409,255,590	-0.47%
FY 2000 Estimate ⁽²⁾	\$411,871,570	0.64%
FY 2001 Actual	\$431,263,580	4.71%
FY 2002 Actual	\$475,731,730	10.31%
FY 2003 Budget-Revised	\$452,000,000	-4.99%
FY 2004 Budget	\$464,285,000	2.72%

⁽¹⁾ The FY 1999 Actual includes an estimate of an amount not billed during the fiscal year because of changes to both the State and County automated systems.

⁽²⁾ The FY 2000 information was not provided by Montgomery County as a result of the implementation of their new tax billing system.

Assumptions:

The projection is based on taxes billed for levy year 2001 (which corresponds to fiscal year 2002) and an estimate of FY 2003 billings from the State Department of Assessments and Taxation. The impact of appeals, late payments and the collection rate is taken into consideration in the estimate.

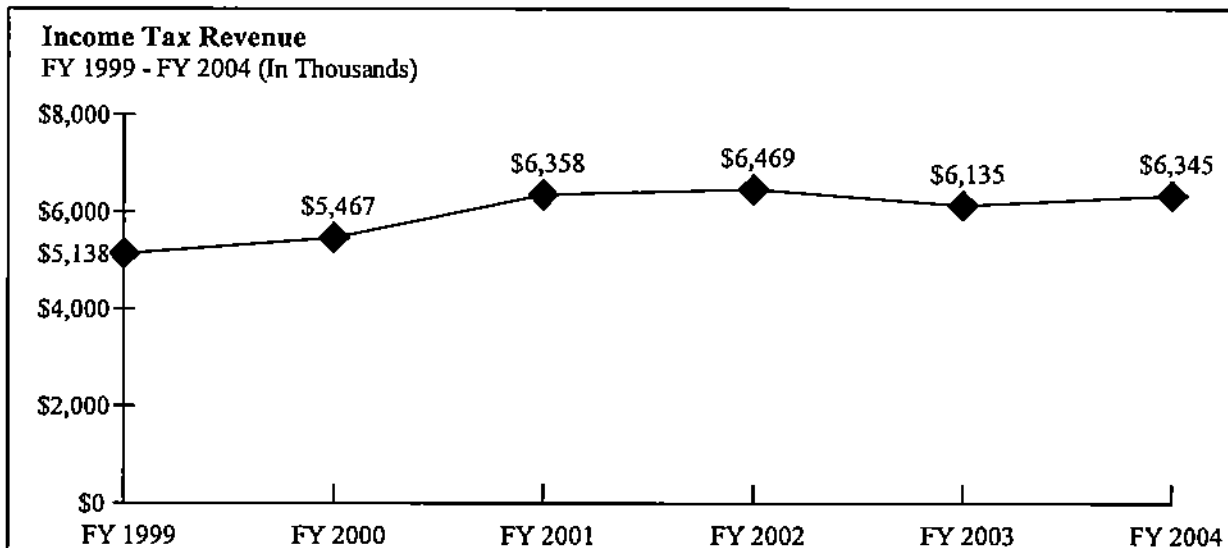
General Fund Revenues, Detail of Major Revenue Sources

— Continued —

Income Tax Revenue

This category of revenue consists of the City's share of income taxes received by the State of Maryland for returns filed from Rockville. Revenue from income tax payments increased substantially between FY 1997 and FY 2001, as the result of employment growth, population growth, and growth in income from capital gains. In FY 2004, income taxes constitute 14.1 percent of the City's General Fund budget, net of appropriation of fund balance. The income tax is the second largest source of revenue to the General Fund, and is expected to equal about 27 percent of the property tax in FY 2004.

Maryland counties are able to impose an income tax that "piggy-backs" on the State income tax. Municipalities receive only a portion of the piggy-back tax collected by the State from returns filed in the municipality; the County receives the remainder of the tax. As a result, the income tax constitutes a significantly higher percentage of Montgomery County's General Fund revenue.



Income Tax Revenue History, Projections, and Percent Change for FY 1999-FY 2004:

FY 1999 Actual	\$5,138,028	10.75%
FY 2000 Actual (adjusted) ⁽¹⁾	\$5,466,540	6.39%
FY 2001 Actual (adjusted) ⁽¹⁾	\$6,358,239	16.31%
FY 2002 Actual	\$6,468,570	1.74%
FY 2003 Budget	\$6,135,000	-5.16%
FY 2004 Budget	\$6,345,000	3.42%

⁽¹⁾ Actual revenue in FY 2000 was \$4,867,201 as the result of a significant shift in the number of late filers; additional revenue from late filers in the amount of \$599,339 was received in September 2000. Actual revenue in FY 2001 was \$6,957,578 before adjustment for the prior year's late filers.

Assumptions:

The projection assumes a 1.9 percent decrease in estimated tax revenue in FY 2004 compared to FY 2002 actual collections, although this represents an increase of 3.4 percent above the FY 2003 estimate. The projections for FY 2003 and FY 2004 reflect a weaker economy for tax years 2002 and 2003, with substantially lower income from capital gains. Income taxes paid on capital gains were a major factor in the increases to this revenue source over the last several years and are the most volatile portion of the revenue stream. This weakening in the economy is offset by the City's additional taxpaying households. Recent information from the State indicates that the City's collections for calendar year 2002 exceeded calendar year 2001 collections by 2 percent. Additional revenue as a result of the increase to the County piggy-back income tax rate is not included in the FY 2004 budget. The change will not become effective until January 1, 2004.

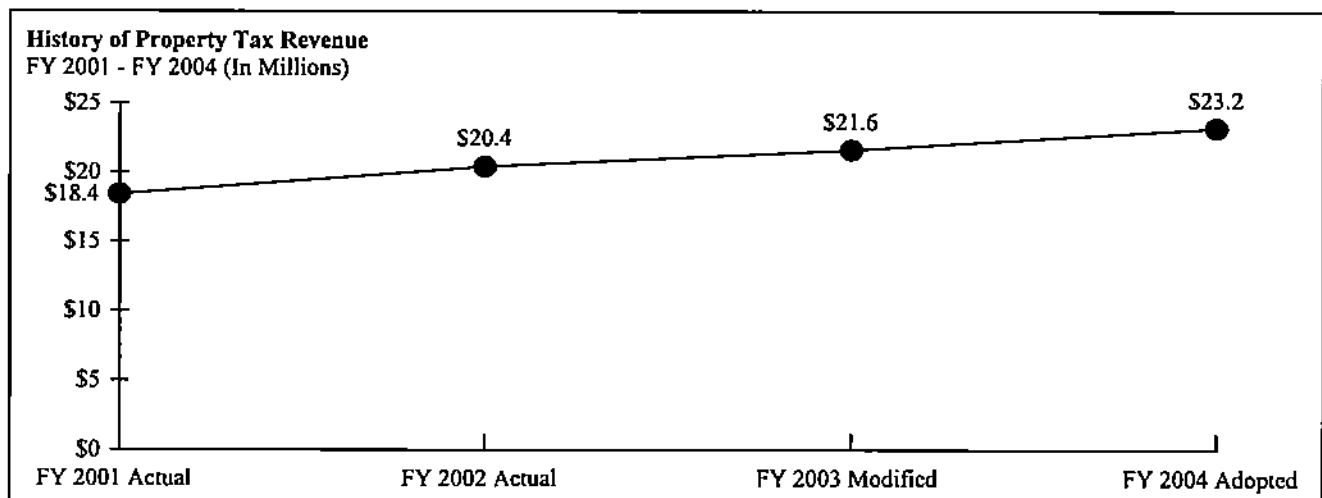
General Fund Revenues, by Source, FY 2001-FY 2004

— Continued —

Property Taxes

The combined property tax receipts for FY 2004 are expected to amount to \$23,205,500, which is 7.51 percent more than the modified budget for FY 2003. Detailed information on property tax revenue is provided on the preceding pages.

Property Taxes:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Real Property – Revenues from taxes on assessed value of real estate including land, structures, and improvements.	\$15,167,534	\$16,790,514	\$18,055,000	\$19,550,500	8.28%
Real Property-TIF – Revenue from taxes on increases to the assessed value of real estate located within the Town Center Tax Increment Financing (TIF) district.	0	0	70,000	110,000	57.14%
Personal Property-Corporations – Revenue from taxes on assessed valuation of inventory, furnishings, and fixtures of incorporated businesses.	3,010,651	3,462,464	3,300,000	3,400,000	3.03%
Personal Property-Unincorporated Businesses – Revenue from taxes on assessed valuation of inventory, furnishings and fixtures, of unincorporated businesses.	126,832	12,278	85,000	25,000	-70.59%
Interest on Taxes – Interest paid on delinquent taxes.	<u>133,481</u>	<u>123,708</u>	<u>75,000</u>	<u>120,000</u>	<u>60.00%</u>
Total Property Taxes	<u>\$18,438,498</u>	<u>\$20,388,964</u>	<u>\$21,585,000</u>	<u>\$23,205,500</u>	<u>7.51%</u>



General Fund Revenues, by Source, FY 2001-FY 2004

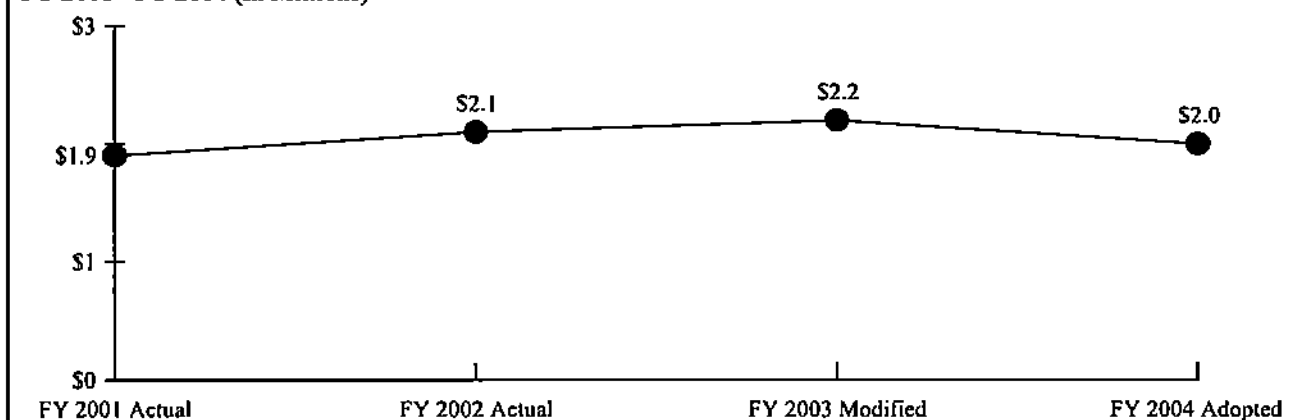
— Continued —

Licenses and Permits

Building permit receipts have revived from the historically low levels of the early 90's as a result of development at King Farm, Falls Grove, and other locations throughout the City. The FY 2004 budget is based on estimated development activity during the fiscal year, moderated somewhat to reflect the impact of a possible slowdown.

Licenses and Permits:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Traders Licenses – Fees collected from local businesses by the State and returned to the City.	\$91,613	\$92,835	\$95,000	\$95,000	0.00%
Building Permits – Revenue from permits issued for building construction/electrical work, plumbing, sewer, water, and gas connections.	1,565,517	1,736,657	1,850,000	1,566,000	-15.35%
Landlord Tenant Permits – One-time revenue from permits issued to landlords for residential rentals.	12,160	12,590	12,150	12,150	0.00%
Rental Licenses – Licensing fee for the annual unit inspection of single-family dwellings.	165,917	172,692	165,000	275,000	66.67%
Animal Licenses – Revenue from the sale of dog and cat licenses to dog and cat owners within the City.	8,061	9,630	15,000	20,000	33.33%
Other Non-Business Licenses – Revenue from the issuance of local licenses and permits not elsewhere classified.	<u>85,621</u>	<u>71,182</u>	<u>72,000</u>	<u>72,000</u>	<u>0.00%</u>
Total Licenses and Permits	<u>\$1,928,889</u>	<u>\$2,095,586</u>	<u>\$2,209,150</u>	<u>\$2,040,150</u>	<u>-7.65%</u>

History of Licenses and Permits Revenue
FY 2001 - FY 2004 (In Millions)



General Fund Revenues, by Source, FY 2001-FY 2004

— Continued —

Revenue From Other Governments

Detailed information on projected income tax receipts is provided on the preceding pages. Revenue from the police protection grants decreased due to the end of the federal COPS grant. Revenue from Youth, Family, and Community Services grants increased due to the addition of the Linkages to Learning program. Revenue from gasoline and motor vehicle taxes and the tax duplication rebate will decrease in FY 2004.

Revenue From Other Governments:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
State Grants – State funds for a Victims Advocate.	\$38,722	\$19,521	\$9,286	\$0	-100.00%
County Grants – County funds for telecommunications and other grants.	0	0	102,000	0	-100.00%
Police Protection Grants – City's share of State and federal funds for police protection.	773,011	695,621	640,457	592,173	-7.54%
Youth, Family, and Community Services Grants – County and State payments to support Youth Services programs.	113,567	116,815	298,805	276,936	-7.32%
Recreation Grants – Grants from the State and corporations for various recreation programs including Senior Center grants.	47,063	50,645	54,768	29,130	-46.81%
Income Taxes – City's share of income tax received by the State for returns filed from Rockville.	6,957,578	6,468,570	6,135,000	6,345,000	3.42%
Gasoline and Motor Vehicle Taxes – City's share of gasoline tax and vehicle registrations collected by the State.	2,339,566	2,559,709	2,480,985	1,789,506	-27.87%
Admissions and Amusements Receipts – Taxes on admissions are returned to municipalities by the State on the basis of the amount collected.	1,076,387	1,056,024	1,082,800	1,106,500	2.19%
Tax Duplication Rebate – Revenue sharing from the County as a partial reimbursement to municipalities for tax duplication.	1,611,274	1,416,161	1,482,285	1,258,500	-15.10%
Cable Franchise Fees – City's share of Montgomery County's cable franchise fee, plus County cable operating grant.	339,792	240,528	356,500	363,441	1.95%
Payment in Lieu of Taxes – Revenue received from Montgomery County in lieu of financial corporation taxes.	13,265	13,265	13,265	13,265	0.00%
Traffic Signal Maintenance Fees – Reimbursement from the State for maintenance of traffic signals in the city limits of Rockville.	4,950	5,054	6,600	5,000	-24.24%
Total Revenue-Other Governments	\$13,315,175	\$12,641,913	\$12,662,751	\$11,779,451	-6.98%

General Fund Revenues, by Source, FY 2001-FY 2004

— Continued —

Charges for Services

Public Works permit fees decreased due to the completion of major new development projects in the City. Swim Center revenue was first reflected in the General Fund budget in FY 2002; prior to that it was in a Special Revenue Fund.

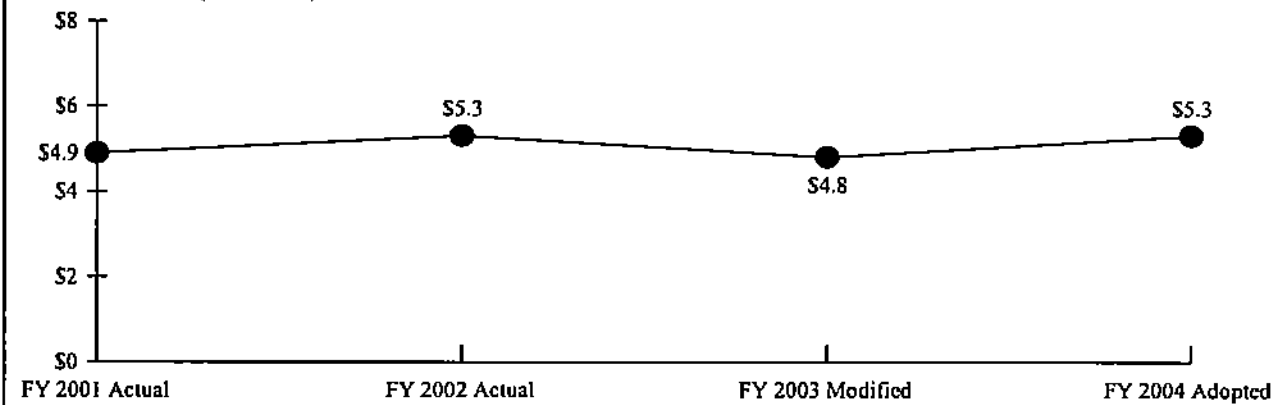
Charges for Services:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Zoning Fees – Charges for services relating to zoning such as map enhancements, text amendments, and use permits.	\$298,892	\$149,516	\$152,375	\$160,000	5.00%
Community Support-Police – Charges for community requests for police services at community/neighborhood events.	46,748	52,760	60,000	60,000	0.00%
Sale of Materials – Revenue from City publications or souvenirs.	16,828	13,654	20,000	15,000	-25.00%
Sale of Land – Revenue received from the sale of land.	660,000	0	0	0	0.00%
Fire Safety Fees – Revenue from fire inspection and permits.	171,402	220,994	240,405	316,655	31.72%
Fire Review Fees – Revenue from fire codes plans review.	71,722	62,335	60,205	90,205	49.83%
Public Works Permits – Fees paid by private contractors for design review and inspection services for work within rights-of-way.	1,127,081	1,178,657	400,000	374,000	-6.50%
Swim Team Dues – Fees paid for the RMSC swim team.	0	70,609	83,000	115,000	38.55%
Recreation Membership Fees – Fees paid for memberships to recreation and swim centers.	0	397,906	473,918	510,300	7.68%
Recreation and Parks Concessions – Revenue received from concessions at City facilities.	1,666	20,652	26,121	2,727	-89.56%
Facility Use Fees – Revenue received from the rental of City facilities.	480,334	429,839	504,000	526,422	4.45%
Recreation Program Fees – Revenues from fees for various recreation programs and classes.	1,788,796	2,125,286	2,060,880	2,363,237	14.67%
Social Services Fees – Social services fees at the Senior Center.	26,958	26,320	29,000	24,540	-15.38%
Special Events Fees – Corporate sponsorship of City events.	60,177	135,011	60,000	60,000	0.00%
Recreation Theme Park Tickets – Revenue from sale of tickets to area theme parks through the Maryland Recreation and Parks Association.	138,861	130,423	152,000	152,000	0.00%

General Fund Revenues, by Source, FY 2001-FY 2004

— Continued —

Charges for Services:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
F. Scott Fitzgerald Theatre Tickets – Revenue received from theatre ticket sales.	633	38,092	319,008	298,945	-6.29%
Pool Merchandise – Revenue received from merchandise sold at Swim Center.	0	3,811	5,500	4,000	-27.27%
Pool Admission Charges – Revenue received from admissions to the Swim Center.	<u>0</u>	<u>215,579</u>	<u>200,000</u>	<u>220,000</u>	<u>10.00%</u>
Total Charges for Services	<u>\$4,890,098</u>	<u>\$5,271,444</u>	<u>\$4,846,412</u>	<u>\$5,293,031</u>	<u>9.22%</u>

History of Charges for Services Revenue
FY 2001 - FY 2004 (In Millions)



General Fund Revenues, by Source, FY 2001-FY 2004

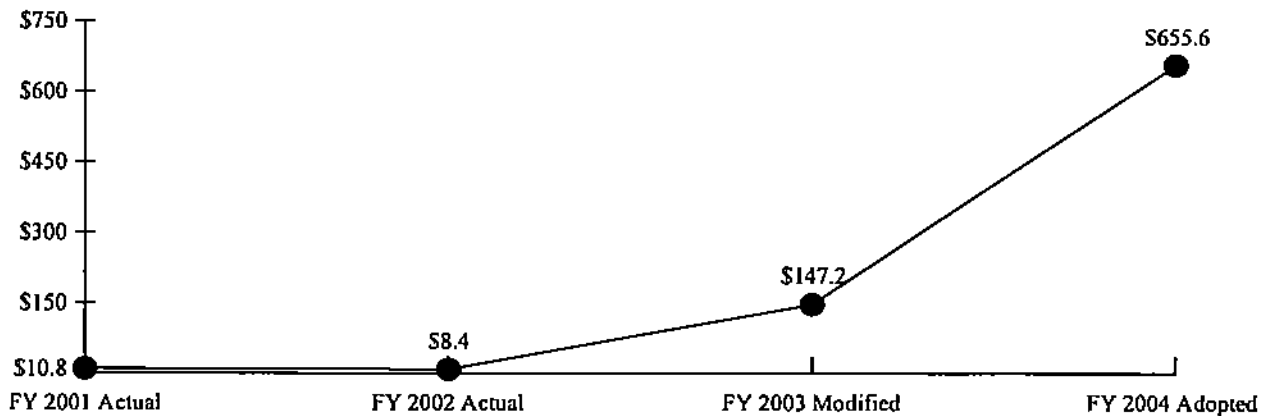
— Continued —

Fines and Forfeitures

In FY 2003, revenue received from fines for red light infractions was added to the General Fund.

Fines and Forfeitures:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Municipal Infractions – Revenues received from fines for municipal infractions.	\$10,130	\$8,365	\$12,200	\$10,000	-18.03%
Red Light Camera Revenue – Revenue received from fines for red light infractions.	0	0	135,000	645,600	378.22%
Confiscated Funds – Cash and personal items seized under current law by City Police during the commission of a crime.	<u>728</u>	<u>78</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Total Fines and Forfeitures	<u>\$10,858</u>	<u>\$8,443</u>	<u>\$147,200</u>	<u>\$655,600</u>	<u>345.38%</u>

History of Fines and Forfeitures Revenue
FY 2001 - FY 2004 (In Thousands)



General Fund Revenues, by Source, FY 2001-FY 2004

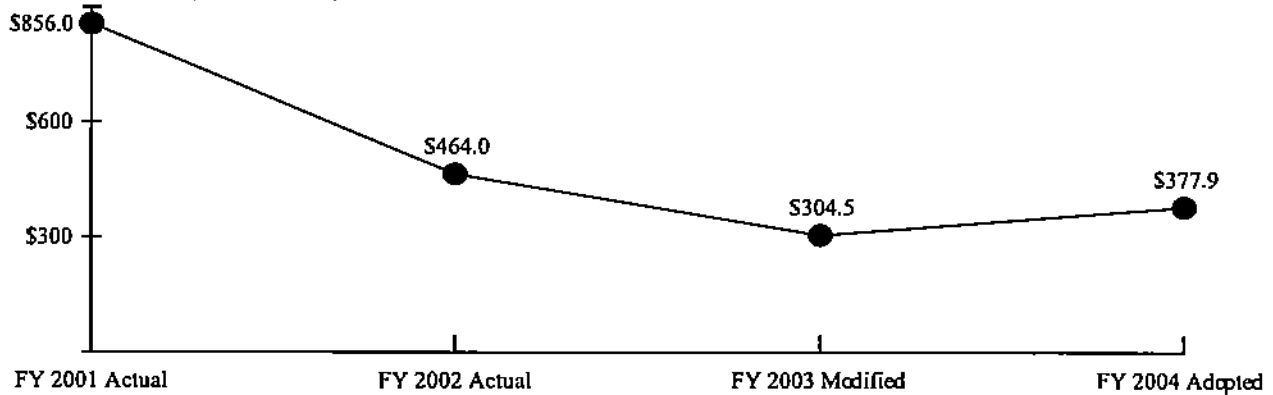
— Continued —

Use of Money and Property

For the category of interest income, the City of Rockville generally estimates using a rate of 5.0 percent. Because of recent precipitous declines in interest rates, the FY 2003 modified budget reflects a rate of 1.5 percent and FY 2004 is budgeted at 1.9 percent.

Use of Money and Property:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Interest Income – Interest received from the investment of City funds.	\$835,406	\$447,280	\$194,250	\$250,000	28.70%
Land Rental – Revenue from telecommunications companies for monopolies on City-owned property.	0	0	93,000	108,914	17.11%
Building Rental – Revenue from the rental of City-owned buildings located on the King Farm.	<u>20,557</u>	<u>16,728</u>	<u>17,280</u>	<u>19,008</u>	<u>10.00%</u>
Total Use of Money and Property	<u>\$855,963</u>	<u>\$464,008</u>	<u>\$304,530</u>	<u>\$377,922</u>	<u>24.10%</u>

History of Use of Money and Property Revenue
FY 2001 - FY 2004 (In Thousands)



General Fund Revenues, by Source, FY 2001-FY 2004

— Continued —

Other Revenue

Proceeds from the auction of used vehicles vary from year to year depending primarily on the number of vehicles being replaced. This same fluctuation pattern is evident for other miscellaneous revenues. This revenue category serves as an administrative vehicle permitting centralized payment for various costs of citywide benefit, with these transfers used to reappropriation amounts to the appropriate customer-funded enterprise funds at the end of the year. In FY 2004, a transfer from the Parking Fund was added.

Other Revenue:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Community Contribution – Contributions from individuals and groups in the community to sponsor specific programs.	\$145,696	\$32,115	\$86,655	\$122,500	41.37%
Other Grant Revenue – Mid-year anticipated grant revenue (undesignated).	0	0	0	20,000	100.00%
Sale of Vehicles – Proceeds from the vehicle auction.	88,431	48,042	40,000	50,000	25.00%
Miscellaneous Revenues – Other revenues not categorized elsewhere.	237,110	118,522	132,656	94,532	-28.74%
Water Facility Fund – Charges for various direct services received from the General Fund.	347,493	357,918	360,656	371,476	3.00%
Sewer Fund – Charges for various direct services received from the General Fund.	189,948	195,646	201,515	207,560	3.00%
Refuse Fund – Charges for various direct services received from the General Fund.	359,474	370,258	381,366	392,807	3.00%
Parking Fund – Charges for various direct services received from the General Fund.	0	0	0	25,000	100.00%
RedGate Golf Course Fund – Charges for various direct services received from the General Fund.	149,557	154,044	158,665	163,427	3.00%
Stormwater Management Fund – Charges for various direct services received from the General Fund.	<u>121,766</u>	<u>125,419</u>	<u>129,182</u>	<u>133,057</u>	<u>3.00%</u>
Total Other Revenues	<u>\$1,639,475</u>	<u>\$1,401,964</u>	<u>\$1,490,695</u>	<u>\$1,580,359</u>	<u>6.01%</u>

Appropriated Fund Balance

This is not actual revenue. It is, however, a source of funding relied upon in balancing the budget. The City's policy is to use fund balance to provide funding for the reappropriation of encumbrances from the prior year, to fund one-time items, and to provide funding support for the Capital Improvements Program in the form of a transfer.

Appropriated Fund Balance:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Appropriated Fund Balance represents a portion of the City's unappropriated fund balance, which is accumulated by collecting revenues over estimates and/or under-spending appropriations.	<u>\$0</u>	<u>\$0</u>	<u>\$3,032,826</u>	<u>\$250,700</u>	<u>-91.73%</u>

General Fund Expenditures

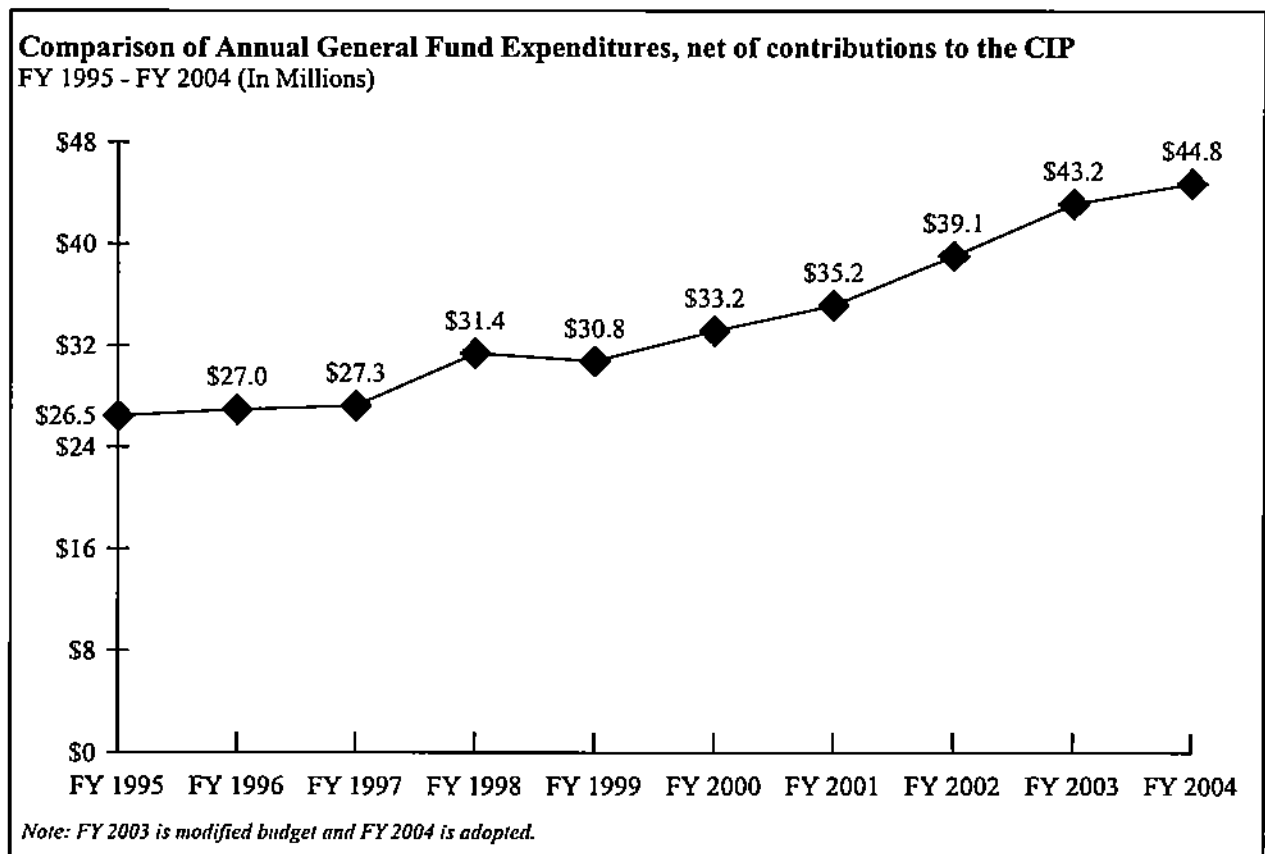
The General Fund is the primary operating fund of the City and is used to account for the normal recurring activities. Many of the City administrative functions are supported through this fund. The major revenue sources for the General Fund are property taxes, income taxes, gasoline and motor vehicle taxes, tax duplication payments from Montgomery County, and charges or user fees for services. The FY 2003 modified budget column represents the most recent budget appropriation, which was approved by the Mayor and Council on May 27, 2003.

Expenditures:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$22,342,566	\$25,025,791	\$27,724,050	\$29,510,862	6.44%
Operating Expenditures	7,442,628	8,080,423	10,433,608	10,202,905	-2.21%
Capital Outlays	929,704	1,041,274	798,635	562,035	-29.63%
Other Charges	712,294	847,103	876,959	876,749	-0.02%
Contribution to the CIP	2,457,024	4,700,000	3,061,248	431,500	-85.90%
Debt Service	<u>3,815,804</u>	<u>4,150,000</u>	<u>3,384,064</u>	<u>3,598,662</u>	<u>6.34%</u>
Total Expenditures	<u>\$37,700,020</u>	<u>\$43,844,591</u>	<u>\$46,278,564</u>	<u>\$45,182,713</u>	<u>-2.37%</u>

Expenditures by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Mayor and Council	\$1,108,915	\$1,261,077	\$1,221,368	\$1,304,490	6.81%
City Manager	1,633,999	1,835,756	2,184,140	2,030,980	-7.01%
Community Planning	2,370,166	2,594,888	3,131,798	3,306,741	5.59%
Finance	1,346,020	1,411,307	1,521,742	1,537,889	1.06%
Information and Technology	2,402,471	2,746,834	3,337,563	2,923,554	-12.40%
Neighborhood/Comm. Services	1,196,384	1,480,329	1,792,799	1,988,700	10.93%
Personnel	757,021	820,655	915,252	871,848	-4.74%
Police	4,355,437	4,551,043	5,023,982	5,340,057	6.29%
Public Works	4,459,354	4,604,088	5,232,224	5,220,888	-0.22%
Recreation and Parks	10,166,794	12,031,089	13,035,228	13,265,735	1.77%
Non-Departmental	<u>7,903,459</u>	<u>10,507,525</u>	<u>8,882,468</u>	<u>7,391,831</u>	<u>-16.78%</u>
Total Expenditures	<u>\$37,700,020</u>	<u>\$43,844,591</u>	<u>\$46,278,564</u>	<u>\$45,182,713</u>	<u>-2.37%</u>

FY 1995 - FY 2004 Comparison of Annual General Fund Expenditures

This line chart indicates General Fund expenditures for the ten year period ending FY 2004. The increase in FY 1998 reflects the decision to pay off the City's liability in the State of Maryland pension plan in the amount of \$1,842,908. This decision will save the City of Rockville taxpayers an estimated \$1,744,065 in avoided finance charges over the next 23 years. In FY 2002, the revenue and expenditures associated with the Swim Center were transferred to the General Fund from the Special Revenue Fund. The figures for FY 2003 and FY 2004 are budget numbers; in general, actual expenditures are lower than the budgeted amounts.



Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by legal and regulatory provisions to finance specific activities. Included in the special revenue funds are the Property Management, Swim Center, Special Activities, and Community Development Block Grant Funds. In FY 2002, the Swim Center Fund was reclassified from a special revenue fund to the General Fund to more appropriately reflect the nature of this facility.

Property Management Fund

The Property Management Fund accounts for land sales within the City's redevelopment area. This land was purchased in 1976 when the urban renewal program was terminated. Proceeds from these land sales are used periodically for purposes that meet Community Development Block Grant (CDBG) eligibility criteria.

Property Management Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Sale of Land	\$440,000	\$0	\$0	\$0	0.00%
Interest Income	46,499	0	13,225	2,027	-84.67%
Appropriated Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>146,000</u>	<u>100.00%</u>
Total Revenues	<u>\$486,499</u>	<u>\$0</u>	<u>\$13,225</u>	<u>\$148,027</u>	<u>1,019.30%</u>

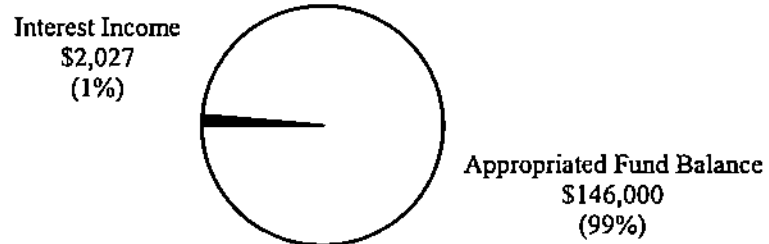
Property Management Fund Expenditures:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Other Charges	\$468	\$0	\$0	\$146,000	100.00%
Contribution to CIP	571,682	0	0	0	0.00%
Addition to Fund Balance	<u>0</u>	<u>0</u>	<u>13,225</u>	<u>2,027</u>	<u>-84.67%</u>
Total Expenditures	<u>\$572,150</u>	<u>\$0</u>	<u>\$13,225</u>	<u>\$148,027</u>	<u>1,019.30%</u>

Property Management Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Non-Departmental	<u>\$572,150</u>	<u>\$0</u>	<u>\$13,225</u>	<u>\$148,027</u>	<u>1,019.30%</u>
Totals by Department	<u>\$572,150</u>	<u>\$0</u>	<u>\$13,225</u>	<u>\$148,027</u>	<u>1,019.30%</u>

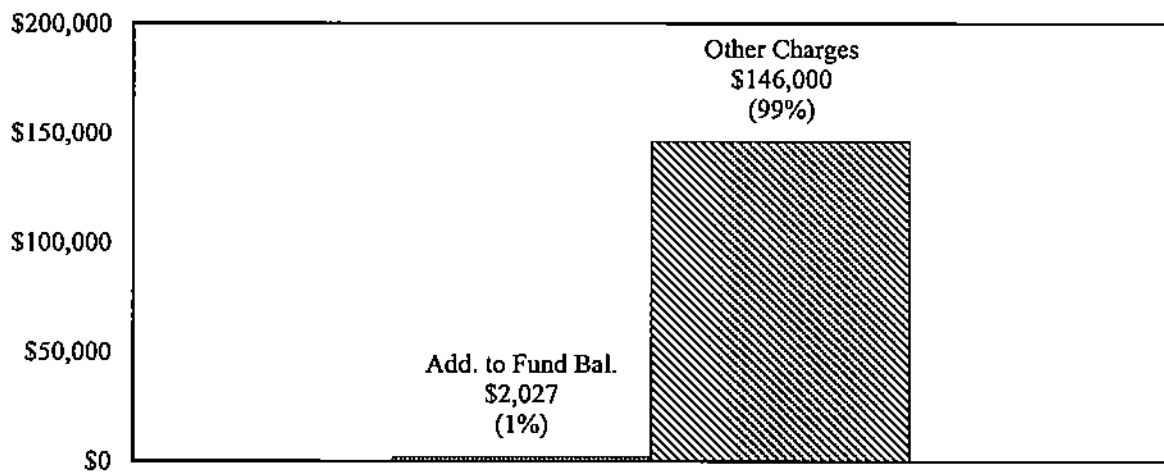
Special Revenue Funds

— Continued —

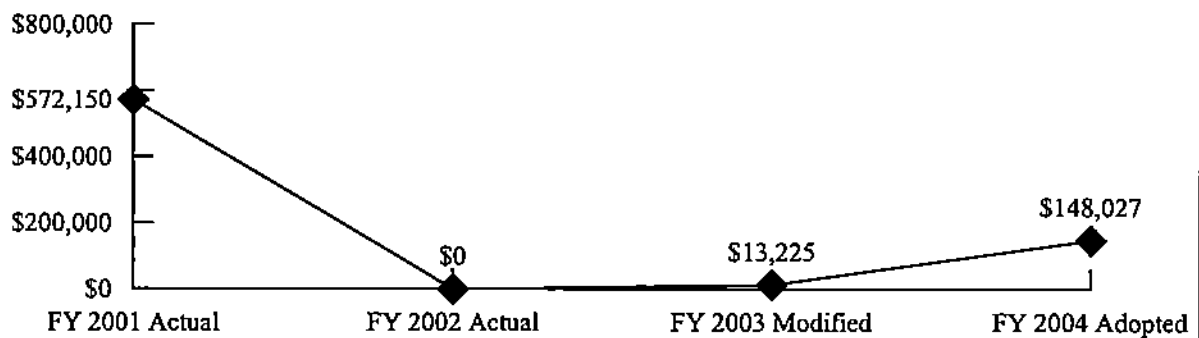
FY 2004 Property Management Fund Revenues of \$148,027



FY 2004 Budget by Type of Expenditure (total \$148,027)



FY 2001 - FY 2004 Expenditure History



Special Revenue Funds

— Continued —

Swim Center Fund

The Swim Center Fund is used to account for the financial activity associated with the operations and costs of the City's Swim Center pools, snack bar and other operations. In FY 2002, the Swim Center Fund was reclassified from a special revenue fund to the General Fund to more appropriately reflect the nature of this facility.

Swim Center Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Sales and Admissions	<u>\$959,401</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>
Total Revenues	<u>\$959,401</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>

Swim Center Fund Expenditures:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$710,948	\$0	\$0	\$0	0.00%
Operating Expenditures	246,175	0	0	0	0.00%
Capital Outlays	<u>14,982</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Total Expenditures	<u>\$972,105</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>

Swim Center Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Recreation and Parks	\$951,225	\$0	\$0	\$0	0.00%
Non-Departmental	<u>20,880</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Totals by Department	<u>\$972,105</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>

As noted above, the Swim Center Fund no longer exists as a separate fund. For this reason, no graphic information will follow this summary.

Special Revenue Funds

— Continued —

Special Activities Fund

The Special Activities Fund receives revenues from separate fundraising activities by such groups as the Rockville Seniors, Inc., the Mansion Gift Shop Docents, and a variety of corporations and community service organizations. The Croydon Creek Nature Center was added in FY 2002. In FY 2003, the Telecommunications activities were moved to the Department of Information and Technology in the General Fund.

Special Activities Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Mansion Rentals	\$15,000	\$15,065	\$15,000	\$15,000	0.00%
Donations	206,808	262,040	140,539	73,259	-47.87%
State Grant	0	74,961	73,365	72,000	-1.86%
Telecommunications	116,003	91,445	0	0	0.00%
Interest Income	17,376	11,760	3,100	3,272	5.55%
Appropriated Fund Balance	<u>0</u>	<u>0</u>	<u>363,731</u>	<u>220,313</u>	<u>-39.43%</u>
Total Revenues	<u>\$355,187</u>	<u>\$455,271</u>	<u>\$595,735</u>	<u>\$383,844</u>	<u>-35.57%</u>

Special Activities Fund by Program:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Telecommunications	\$28,419	\$75,818	\$0	\$0	0.00%
Holiday Drive	16,939	12,641	49,927	51,992	4.14%
REAP	3,722	4,894	13,410	16,169	20.57%
Strengthening Families	58,807	50,534	9,874	0	-100.00%
Youth Recreation Fund	36,782	15,587	100,164	127,184	26.98%
Glenview Mansion Improv.	8,558	19,223	54,867	50,672	-7.65%
Senior Assistance	1,300	2,529	10,119	9,145	-9.63%
Friends of the Arts	240	6,519	13,784	17,177	24.62%
Rockville Youth Orchestra	0	10,750	0	0	0.00%
Bikeway Program	1,429	79,358	148,751	72,359	-51.36%
Forest and Tree Preservation	15,390	78,663	164,085	16,740	-89.80%
Pepsi Sponsorship	28,595	23,186	24,754	18,469	-25.39%
Croydon Creek Nature Center	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>3,937</u>	<u>-34.38%</u>
Total Expenditures	<u>\$200,181</u>	<u>\$379,702</u>	<u>\$595,735</u>	<u>\$383,844</u>	<u>-35.57%</u>

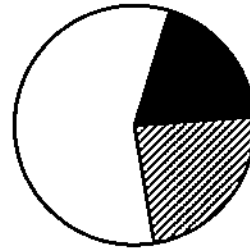
Special Activities Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Information and Technology	\$28,419	\$75,818	\$0	\$0	0.00%
Neighborhood/Comm. Services	79,468	68,069	73,211	68,161	-6.90%
Recreation and Parks	<u>92,294</u>	<u>235,815</u>	<u>522,524</u>	<u>315,683</u>	<u>-39.58%</u>
Totals by Department	<u>\$200,181</u>	<u>\$379,702</u>	<u>\$595,735</u>	<u>\$383,844</u>	<u>-35.57%</u>

Special Revenue Funds

— Continued —

FY 2004 Special Activities Fund Revenues of \$383,844

Appropriated Fund Balance
\$220,313
(57%)

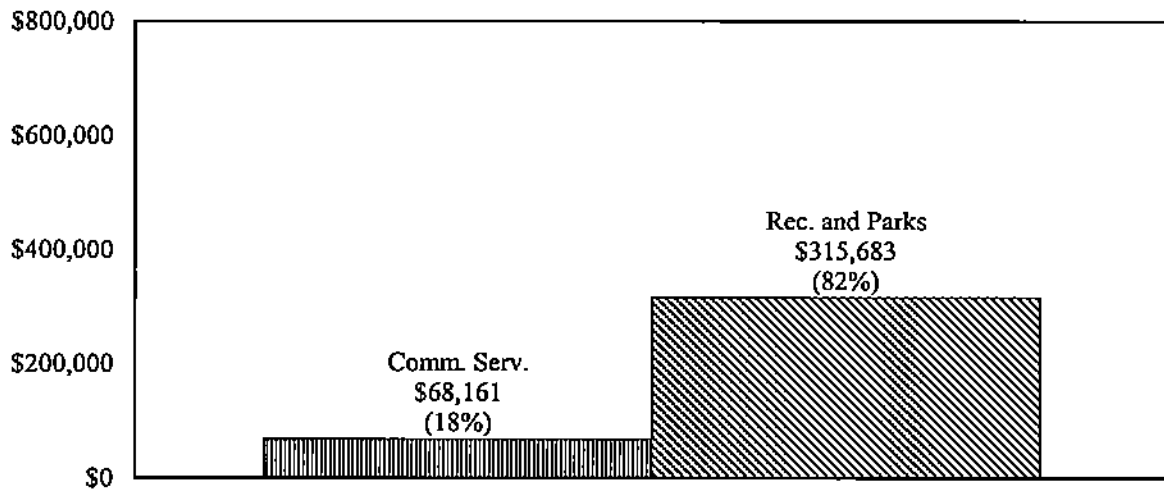


Donations
\$73,259
(19%)

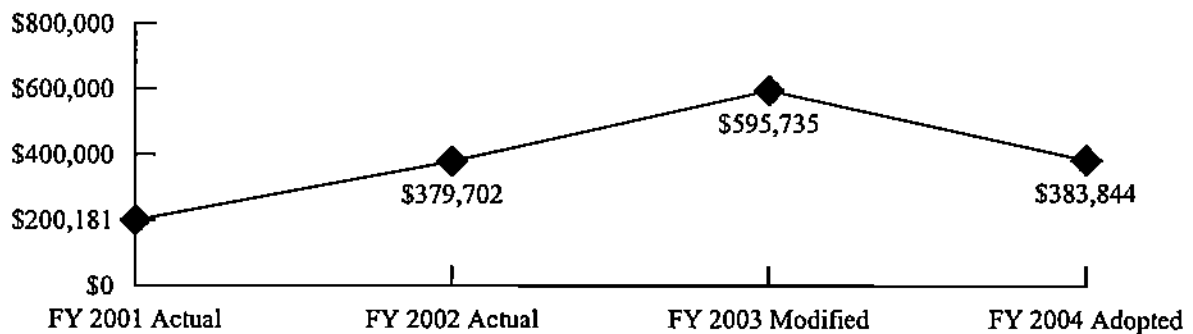
Other
\$90,272
(24%)

Other represents Mansion Rentals \$15,000 or 4%; State Grants \$72,000 or 19%; and Interest Income \$3,272 or less than 1%.

FY 2004 Budget by Department (total \$383,844)



FY 2001 - FY 2004 Expenditure History



Special Revenue Funds

— Continued —

Community Development Block Grant Fund

The Community Development Block Grant (CDBG) Fund is a special revenue fund supported by a sub-grant of federal funds via Montgomery County. The budget each year for this fund consists of unexpended prior years' grants as well as the next year's anticipated grant based on the latest information available from Montgomery County.

CDBG Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
CDBG Block Grant	\$435,289	\$385,644	\$394,140	\$380,000	-3.59%
Prior Years' Appropriation	<u>0</u>	<u>132,758</u>	<u>425,998</u>	<u>380,000</u>	<u>-10.80%</u>
Total Revenues	<u>\$435,289</u>	<u>\$518,402</u>	<u>\$820,138</u>	<u>\$760,000</u>	<u>-7.33%</u>

CDBG Fund Expenditures:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$99,376	\$118,824	\$70,000	\$70,000	0.00%
Operating Expenditures	335,913	399,578	324,140	310,000	-4.36%
Prior Years' Expenditures	<u>0</u>	<u>0</u>	<u>425,998</u>	<u>380,000</u>	<u>-10.80%</u>
Total Expenditures	<u>\$435,289</u>	<u>\$518,402</u>	<u>\$820,138</u>	<u>\$760,000</u>	<u>-7.33%</u>

CDBG Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Community Planning/Devel.	<u>\$435,289</u>	<u>\$518,402</u>	<u>\$820,138</u>	<u>\$760,000</u>	<u>-7.33%</u>
Totals by Department	<u>\$435,289</u>	<u>\$518,402</u>	<u>\$820,138</u>	<u>\$760,000</u>	<u>-7.33%</u>

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund includes expenditures for the payment of principal and interest due and service charges on debt, other than that supported by enterprise fund revenue. Applicable graphic presentations and charts within the budget document present the Debt Service Fund separately after a subtotal has been reached. This is due to the fact that the Debt Service Fund represents the budgeting of transfers from other funds so that there is essentially a double-budgeting effect when the Debt Service Fund records the same expenditure. Any charts or graphs that include the Debt Service Fund within their total will be clearly designated as doing so.

The budget for the Debt Service Fund assumes the issuance of \$11,957,215 of debt in the Capital Projects Fund during FY 2004. Of this amount, \$557,215 is for the purchase of vehicles in the General Fund. The term of this debt will not exceed the useful life of the vehicles.

Debt Service Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Interest Earnings	\$90,801	\$12,352	\$70,000	\$59,076	-15.61%
Assessments	436,751	460,332	454,673	367,470	-19.18%
Transfer from Other Funds	<u>3,815,804</u>	<u>4,150,000</u>	<u>3,559,064</u>	<u>3,698,662</u>	<u>3.92%</u>
Total Revenues	<u>\$4,343,356</u>	<u>\$4,622,684</u>	<u>\$4,083,737</u>	<u>\$4,125,208</u>	<u>1.02%</u>

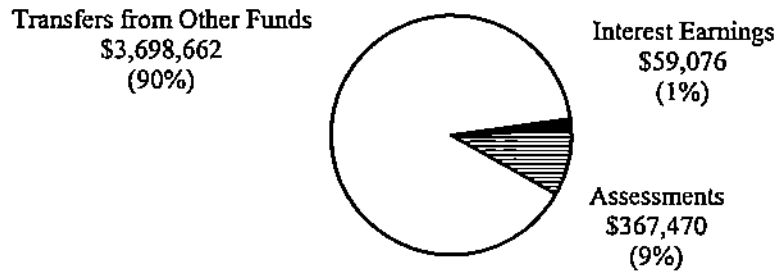
Debt Service Fund Expenditures:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Principal and Other Charges	\$4,987,734	\$2,407,652	\$2,244,976	\$2,759,567	22.92%
Interest	898,277	830,538	916,921	1,155,423	26.01%
Addition to Fund Balance	<u>0</u>	<u>0</u>	<u>921,840</u>	<u>210,218</u>	<u>-77.20%</u>
Total Expenditures	<u>\$5,886,011</u>	<u>\$3,238,190</u>	<u>\$4,083,737</u>	<u>\$4,125,208</u>	<u>1.02%</u>

Debt Service Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Non-Departmental	<u>\$5,886,011</u>	<u>\$3,238,190</u>	<u>\$4,083,737</u>	<u>\$4,125,208</u>	<u>1.02%</u>
Totals by Department	<u>\$5,886,011</u>	<u>\$3,238,190</u>	<u>\$4,083,737</u>	<u>\$4,125,208</u>	<u>1.02%</u>

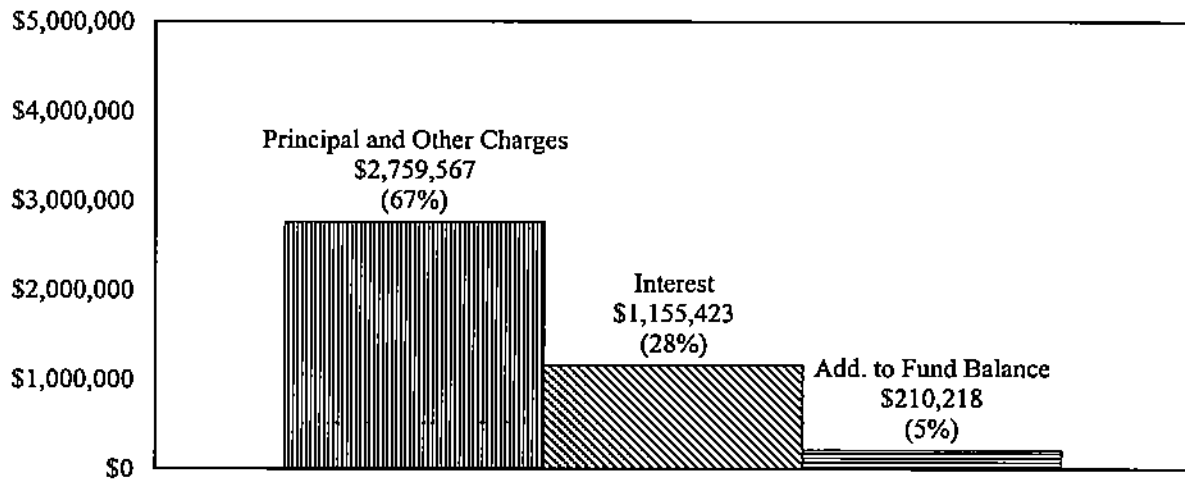
Debt Service Fund

— Continued —

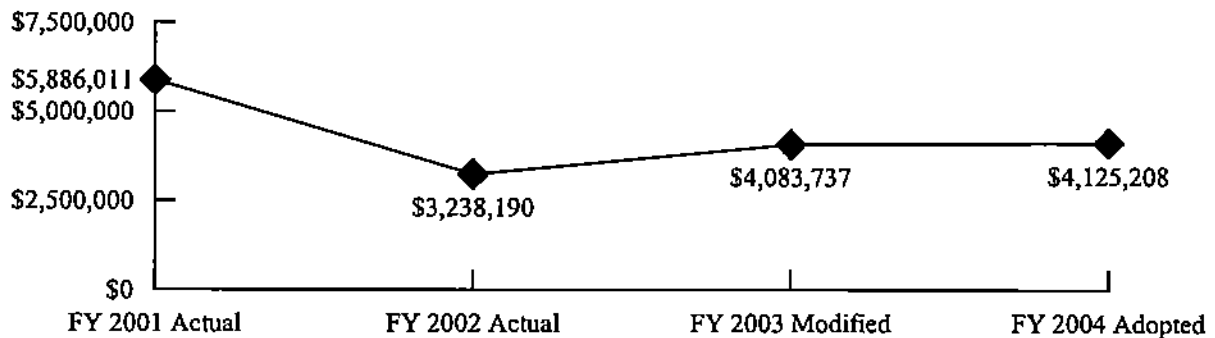
FY 2004 Debt Service Fund Revenues of \$4,125,208



FY 2004 Budget by Type of Expenditure (total \$4,125,208)



FY 2001 - FY 2004 Expenditure History



Debt Service Fund

— Continued —

Long-term Debt Summary

The following is a list of the bonds and notes included in the City's long-term debt at June 30, 2003:

<u>Description</u>	<u>Year of Issuance</u>	<u>Outstanding Principal</u>	<u>Interest Rate Range</u>	<u>Year of Final Maturity</u>
General long-term debt:				
General improvements	1993	\$8,945,996	4.50-5.25%	2012
General improvements	1993	1,500,000	4.50-5.25%	2013
General improvements	1998	1,350,000	3.50-4.30%	2013
General improvements — Equipment	1999	186,623	4.17-4.53%	2006
General improvements — Equipment	2000	449,099	4.17-4.53%	2007
General improvements	2002	2,313,633	4.00-4.65%	2021
General improvements	2003	10,210,399	2.00-3.85%	2023
General improvements — Refunding	2003	<u>10,339,694</u>	2.00-3.00%	2013

Total general long-term debt		<u>\$35,295,444</u>		
------------------------------	--	---------------------	--	--

Enterprise funds long-term debt:

General improvements	1993	\$900,000	4.50-5.25%	2013
General improvements	1993	3,369,004	4.50-5.25%	2012
General improvements	1999	2,366,568	3.21%	2019
General improvements	2000	1,199,381	3.64%	2020
General improvements	2002	110,998	1.90%	2023
General improvements	2002	3,176,367	4.00-4.65%	2021
General improvements	2003	3,184,601	2.00-3.875%	2023
General improvements — Refunding	2003	<u>4,225,306</u>	2.00-3.00%	2013

Total enterprise funds long-term debt		<u>\$18,532,225</u>		
---------------------------------------	--	---------------------	--	--

On June 1, 2003, the government issued general obligation bonds in the amount of \$27,960,000 to provide funds for the acquisition and construction of major capital facilities and the refunding of existing general obligation bonds. The bonds issued in 1993 will be paid off using the refunding bonds on September 1, 2003 in the amount of \$14,715,000 plus accrued interest.

The City anticipates that all amounts required for payment of interest and principal on enterprise fund debt will be provided from the respective funds' revenues and that amounts required for payment of interest and principal on special assessment general improvement bonds will be provided from the collection of assessments levied against property owners; however, the bonds are further secured by the full faith and credit and unlimited taxing power of the City. There are no legal limits as to the amount of debt the City of Rockville can incur. The following pages show the amount of principal and interest payments due by fiscal year within each category, general and enterprise funds long-term debt.

Debt Service Fund

— Continued —

Long-term Debt Detail

The following is a list of the principal and interest payments due by fiscal year as of June 30, 2003:

General Long-Term Debt:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2004	\$13,035,720	\$785,609	\$13,821,329
2005	2,551,989	641,144	3,193,133
2006	2,613,665	581,047	3,194,712
2007	2,539,221	521,157	3,060,378
2008	2,471,082	465,948	2,937,030
2009	1,378,476	407,743	1,786,219
2010	1,377,828	370,769	1,748,597
2011	1,134,362	330,286	1,464,648
2012	1,107,417	294,612	1,402,029
2013	957,536	257,791	1,215,327
2014	640,061	225,420	865,481
2015	640,061	204,471	844,532
2016	640,061	182,757	822,818
2017	640,061	160,275	800,336
2018	640,061	137,034	777,095
2019	640,061	113,221	753,282
2020	640,061	88,835	728,896
2021	640,140	63,877	704,017
2022	505,678	38,665	544,343
2023	501,903	19,449	521,352
Totals	<u>\$35,295,444</u>	<u>\$5,890,110</u>	<u>\$41,185,554</u>

Enterprise Funds Long-Term Debt:

Refuse Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2004	\$148,790	\$18,395	\$167,185
2005	150,566	16,815	167,381
2006	152,415	12,907	165,322
2007	154,338	8,925	163,263
2008	156,337	4,868	161,205
2009	0	520	520
Totals	<u>\$762,446</u>	<u>\$62,430</u>	<u>\$824,876</u>

Debt Service Fund

— Continued —

Long-term Debt Detail, continued

Enterprise Funds Long-Term Debt, continued:

Water Facility Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2004	\$2,553,232	\$235,633	\$2,788,865
2005	512,288	194,297	706,585
2006	535,684	180,176	715,860
2007	546,823	165,435	712,258
2008	553,346	150,360	703,706
2009	345,823	134,271	480,094
2010	351,458	123,258	474,716
2011	310,889	111,664	422,553
2012	312,897	101,197	414,094
2013	290,216	90,601	380,817
2014	269,215	80,729	349,944
2015	278,334	71,611	349,945
2016	287,763	62,182	349,945
2017	224,473	41,203	265,676
2018	179,719	20,930	200,649
2019	<u>185,488</u>	<u>15,161</u>	<u>200,649</u>
Totals	<u>\$7,737,648</u>	<u>\$1,778,708</u>	<u>\$9,516,356</u>

Sewer Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2004	\$2,756,902	\$258,402	\$3,015,304
2005	519,871	228,838	748,709
2006	537,005	215,819	752,824
2007	540,471	202,490	742,961
2008	538,595	189,120	727,715
2009	438,825	175,045	613,870
2010	436,554	162,272	598,826
2011	383,565	148,542	532,107
2012	376,752	135,771	512,523
2013	342,687	122,756	465,443
2014	310,135	110,469	420,604
2015	310,136	98,948	409,084
2016	310,136	87,080	397,216
2017	310,136	74,867	385,003
2018	310,135	62,447	372,582
2019	310,136	49,801	359,937
2020	310,135	36,929	347,064
2021	310,370	23,833	334,203
2022	139,518	10,667	150,185
2023	<u>138,478</u>	<u>5,366</u>	<u>143,844</u>
Totals	<u>\$9,630,542</u>	<u>\$2,399,462</u>	<u>\$12,030,004</u>

Debt Service Fund

— Continued —

Long-term Debt Detail, continued

Enterprise Funds Long-Term Debt, continued:

RedGate Golf Course Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2004	\$5,945	\$10,036	\$15,981
2005	5,945	12,603	18,548
2006	5,945	12,484	18,429
2007	5,945	12,365	18,310
2008	5,945	12,246	18,191
2009	24,804	12,116	36,920
2010	24,803	11,526	36,329
2011	24,803	10,869	35,672
2012	24,803	10,162	34,965
2013	24,804	9,418	34,222
2014	24,803	8,674	33,477
2015	24,803	7,930	32,733
2016	24,803	7,156	31,959
2017	24,804	6,349	31,153
2018	24,803	5,505	30,308
2019	24,803	4,637	29,440
2020	24,803	3,744	28,547
2021	24,804	2,827	27,631
2022	24,803	1,896	26,699
2023	24,618	954	25,572
Totals	<u>\$401,589</u>	<u>\$163,497</u>	<u>\$565,086</u>

Grand Total Enterprise Funds	\$18,532,225	\$4,404,097	\$22,936,322
------------------------------	--------------	-------------	--------------

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the cost of expenses, including both operations and capital, are financed or recovered primarily through user-related charges. The City of Rockville has designated the following individual operations as enterprise funds: Water Facility, Sewer, Refuse, Parking, Stormwater Management (SWM), and RedGate Golf Course. The results of a fee study performed by DMG-Maximus, Inc., increased administration costs to all of the enterprise funds from the General Fund and increased revenues in the Water Facility, Sewer, and SWM Funds for various fee-generating activities. All enterprise funds are summarized below and on the pages that follow. The FY 2003 modified budget column represents the most recent budget appropriation, which was approved by the Mayor and Council on May 27, 2003.

Water Facility Fund

The Water Facility Fund is used to account for all the financial activity associated with the treatment and distribution of potable water. The City provides water service to approximately 13,202 households within the City limits. The FY 2004 rate of \$1.99 per 1,000 gallons is a \$.07 increase over the FY 2003 rate. Due to a significant accumulated balance in the Water Facility Fund, rates are currently set at a level below the amount needed to cover all operating and debt service costs and to contribute to major capital costs. As a result, successive annual rate increases will be needed for the next several years to bring the rate up to this required level.

The FY 2004 operating budget will use \$551,977 of appropriated retained earnings. Six-year cash flows are prepared to set water rates and to ensure that projected revenues can support operating and capital improvement expenses for the fund and that the fund can be maintained as an on-going concern. The charts on pages 48 and 49 show beginning and ending projected cash and retained earnings in the fund as the result of both operating and capital transactions during the year.

Revenue projections for utility charges are based upon the City's growth forecast regarding development, potential development and significant infill projects planned for future years. The number of planned and current water accounts is multiplied by the estimated rates for the fund. The Water Facility Fund is projecting operating revenue for FY 2004 of \$3,804,594 (computed by multiplying 13,202 accounts times the average yearly revenue per account of \$288.18). Note that operating revenue is net of water/sewer connection charges, interest income, and appropriated retained earnings. The Water Facility Fund will receive an additional amount of \$4,454,247 in the form of a loan from the Maryland Department of the Environment in FY 2004 to fund capital improvements projects.

Water Facility Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Sales of Materials	\$39,127	\$144,872	\$135,000	\$126,000	-6.67%
Utility Charges	2,718,139	2,868,512	3,032,102	3,313,014	9.26%
Penalties	24,181	24,790	25,000	25,000	0.00%
Connection Charges	278,453	682,275	553,200	591,200	6.87%
Interest Income	269,707	147,760	96,714	54,018	-44.15%
Transfer From Sewer	216,534	223,030	229,720	236,612	3.00%
Transfer From Refuse	95,148	98,002	100,940	103,968	3.00%
Appropriated Retained Earnings	<u>0</u>	<u>0</u>	<u>336,518</u>	<u>551,977</u>	<u>64.03%</u>
Total Revenues	<u>\$3,641,289</u>	<u>\$4,189,241</u>	<u>\$4,509,194</u>	<u>\$5,001,789</u>	<u>10.92%</u>

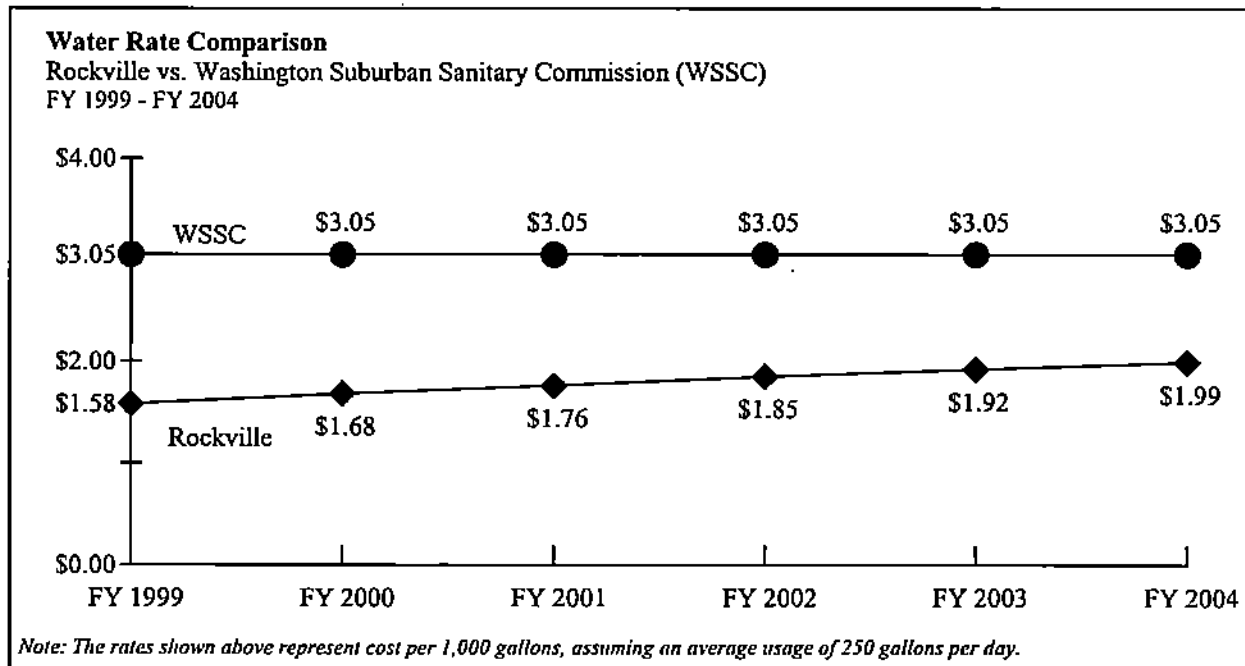
Enterprise Funds

— Continued —

Water Facility Fund, continued

Water Facility Fund Expenses:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$1,462,159	\$1,688,784	\$1,793,227	\$1,967,785	9.73%
Operating Expenses	779,476	820,839	947,086	1,059,202	11.84%
Capital Outlays	68,885	113,648	200,725	182,000	-9.33%
Administrative Charges	347,493	357,918	360,656	371,476	3.00%
Other Charges	903,630	908,282	894,278	1,076,472	20.37%
Debt Service	<u>241,826</u>	<u>287,350</u>	<u>313,222</u>	<u>344,854</u>	<u>10.10%</u>
Total Expenses	<u>\$3,803,469</u>	<u>\$4,176,821</u>	<u>\$4,509,194</u>	<u>\$5,001,789</u>	<u>10.92%</u>

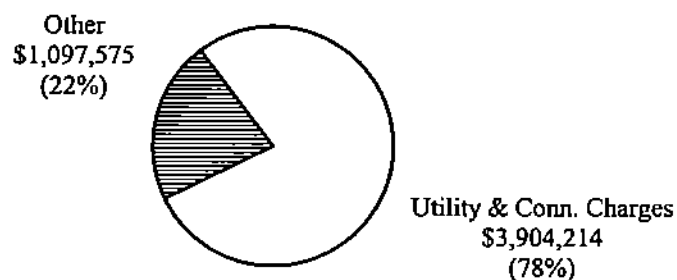
Water Facility Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Mayor and Council	\$9,408	\$9,179	\$0	\$0	0.00%
Finance	444,080	547,388	654,526	671,324	2.57%
Public Works	1,833,861	1,989,633	2,225,111	2,380,304	6.97%
Non-Departmental	<u>1,516,120</u>	<u>1,630,621</u>	<u>1,629,557</u>	<u>1,950,161</u>	<u>19.67%</u>
Totals by Department	<u>\$3,803,469</u>	<u>\$4,176,821</u>	<u>\$4,509,194</u>	<u>\$5,001,789</u>	<u>10.92%</u>



Enterprise Funds

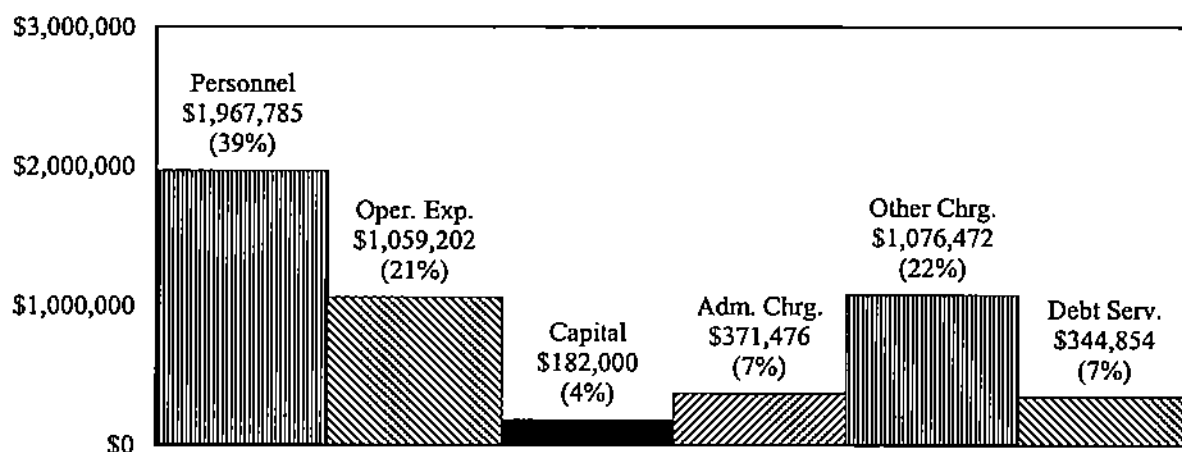
— Continued —

FY 2004 Water Facility Fund Revenues of \$5,001,789

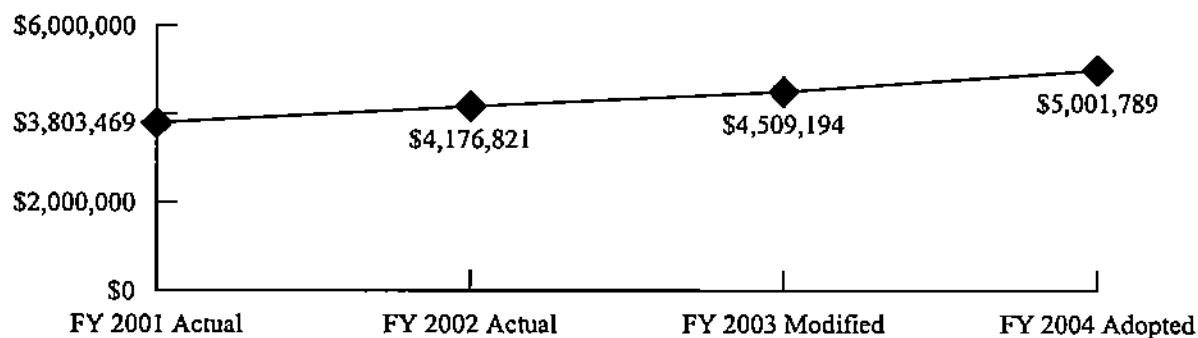


Other includes Appropriated Retained Earnings \$551,977 or 11%; Transfer from Sewer Fund \$236,612 or 5%; Sale of Material \$126,000 or 3%; Transfer from Refuse Fund \$103,968 or 2%; Interest \$54,018 or 1%; and Penalties \$25,000 or less than 1%.

FY 2004 Budget by Type of Expense (total \$5,001,789)



FY 2001 - FY 2004 Expense History



Enterprise Funds

— Continued —

Sewer Fund

The Sewer Fund is used to account for the financial activity associated with the collection and treatment of sewage. Charges are based on water consumption unless the customer pays for separate metering. Nearly all of the capital costs in the Sewer Fund and a substantial portion of the operating costs are payments for the operation of and capital improvements to the Blue Plains Wastewater Treatment Plant. The 1998 Master Plan for the District of Columbia Water and Sewer Authority (DCWASA) included a significant increase in planned capital costs, as reflected in the Regional Treatment Facilities Capital Improvements Program project. As a result of this increase in capital costs, the FY 2004 rate is \$3.50 per 1,000 gallons, an increase of \$.12 over the FY 2003 rate. Similar increases are anticipated in future years depending on the pace of work at the Blue Plains facility.

The budget assumes an increase of \$990,162 to the retained earnings in the Sewer Fund as the result of operations. Six-year cash flows are prepared to set sewer rates and to ensure that projected revenues can support operating and capital improvement expenses for the fund and that the fund can be maintained as an on-going concern. The charts on pages 48 and 49 show beginning and ending projected cash and retained earnings in the fund as the result of both operating and capital transactions during the year.

During FY 2004, the Sewer Fund will issue bonds in the amount of \$2.75 million to finance the additional improvements at the Blue Plains facility. Revenue projections for the fund are based upon the City's growth forecast regarding development planned for future years. The number of planned and current water accounts is then multiplied by the estimated rates for the fund. The Sewer Fund is projecting operating revenues for FY 2004 of \$5,467,666 (computed by multiplying 13,202 accounts times the average yearly revenue per account of \$414.15). Note that operating revenue is net of water/sewer connection charges and interest income.

Sewer Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Utility Charges	\$4,515,946	\$4,712,449	\$4,877,501	\$5,422,666	11.18%
Penalties	43,219	44,484	47,000	45,000	-4.26%
Connection Charges	308,656	751,590	570,400	645,600	13.18%
Interest Earnings	102,912	99,587	52,261	57,252	9.55%
Appropriated Retained Earnings	<u>0</u>	<u>0</u>	<u>1,765</u>	<u>0</u>	-100.00%
Total Revenues	<u>\$4,970,733</u>	<u>\$5,608,110</u>	<u>\$5,548,927</u>	<u>\$6,170,518</u>	<u>11.20%</u>

Enterprise Funds

— Continued —

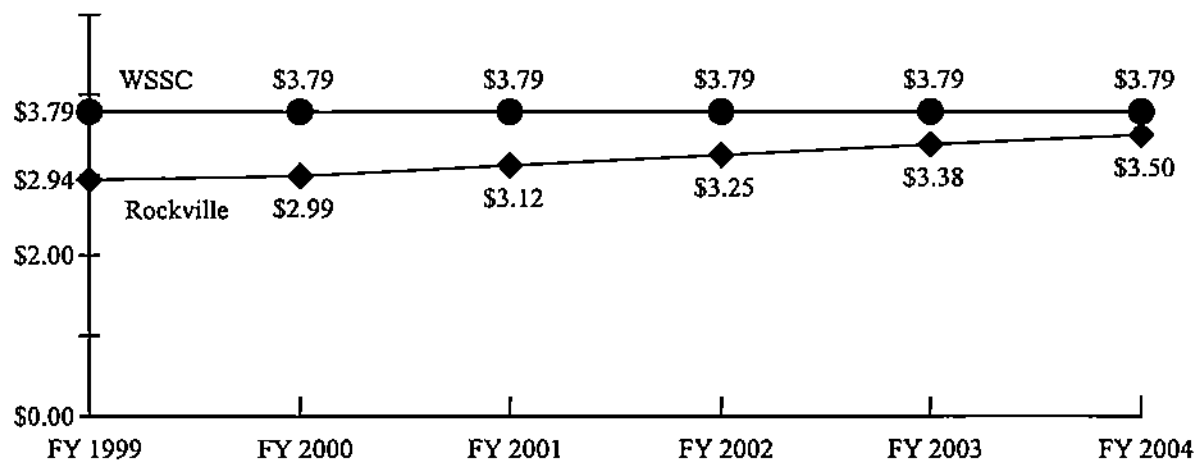
Sewer Fund, continued

Sewer Fund Expenses:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$704,573	\$766,158	\$785,735	\$850,966	8.30%
Operating Expenses	1,901,283	1,995,217	2,551,497	2,825,142	10.72%
Capital Outlays	17,164	7,728	0	0	0.00%
Administrative Charges	189,948	195,646	201,515	207,560	3.00%
Other Charges	728,350	745,879	521,686	859,972	64.84%
Addition to Retained Earnings	0	0	736,529	990,162	34.44%
Debt Service	<u>168,527</u>	<u>288,490</u>	<u>751,965</u>	<u>436,716</u>	<u>-41.92%</u>
Total Expenses	<u>\$3,709,845</u>	<u>\$3,999,118</u>	<u>\$5,548,927</u>	<u>\$6,170,518</u>	<u>11.20%</u>

Sewer Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Mayor and Council	\$0	\$293	\$12,000	\$5,000	-58.33%
Public Works	2,606,784	2,745,306	3,027,211	3,342,427	10.41%
Non-Departmental	<u>1,103,061</u>	<u>1,253,519</u>	<u>2,509,716</u>	<u>2,823,091</u>	<u>12.49%</u>
Totals by Department	<u>\$3,709,845</u>	<u>\$3,999,118</u>	<u>\$5,548,927</u>	<u>\$6,170,518</u>	<u>11.20%</u>

Sewer Rate Comparison

Rockville vs. Washington Suburban Sanitary Commission (WSSC)
FY 1999 - FY 2004

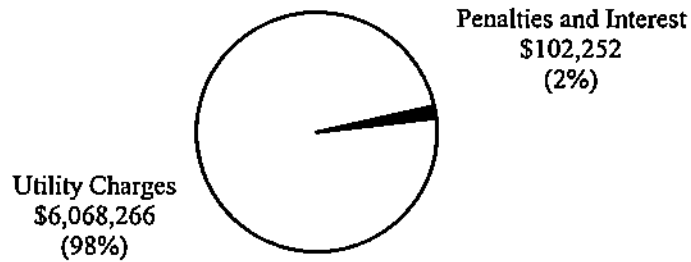


Note: The rates shown above represent cost per 1,000 gallons, assuming an average usage of 250 gallons per day.

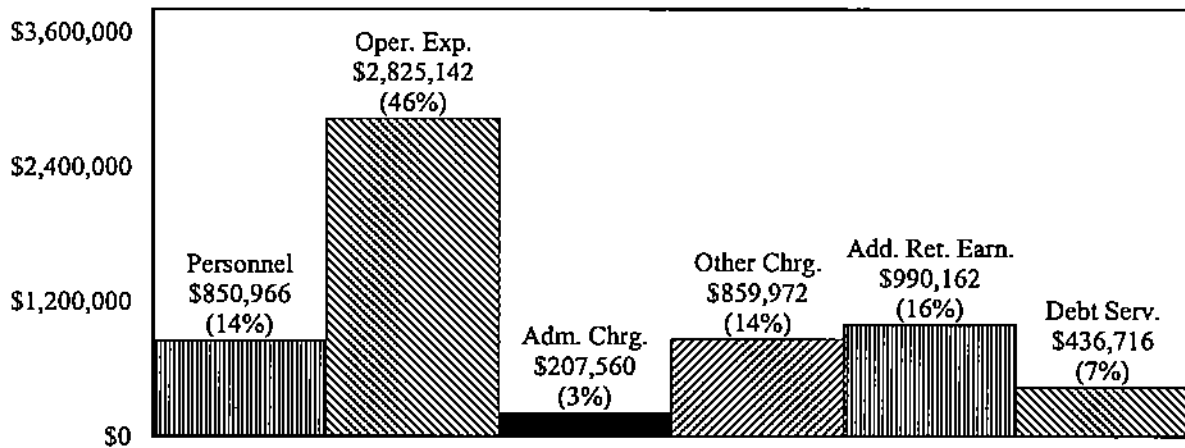
Enterprise Funds

— Continued —

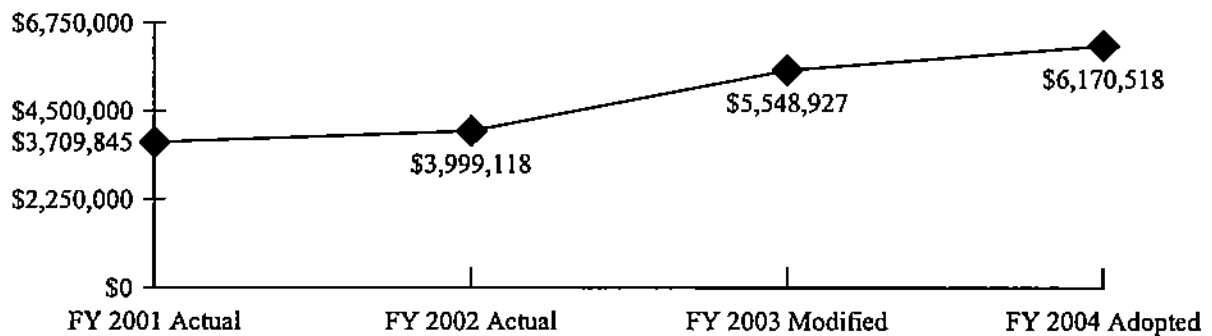
FY 2004 Sewer Fund Revenues of \$6,170,518



FY 2004 Budget by Type of Expense (total \$6,170,518)



FY 2001 - FY 2004 Expense History



Enterprise Funds

— Continued —

Refuse Fund

The Refuse Fund is used to account for all the financial activity associated with the collection and disposal of refuse, recycling, and yard waste. The refuse rate in the FY 2004 budget will be \$25.50 per month, which is a \$1.75 increase over the FY 2003 rate to cover increased operating costs. Further rate increases will be needed in future years to accommodate modest cost increases and to achieve the appropriate break-even rate.

The budget assumes a decrease of \$687,526 to the retained earnings in the Refuse Fund as the result of operations. Six-year cash flows are prepared to set refuse rates and to ensure that projected revenues can support operating and capital improvement expenses for the fund and that the fund can be maintained as an on-going concern. The charts on pages 48 and 49 show beginning and ending projected cash and retained earnings in the fund as the result of both operating and capital transactions during the year.

Revenue projections for the fund are based upon the City's growth forecast regarding development planned for future years. The number of planned and current refuse accounts is multiplied by the estimated rates for the fund. The Refuse Fund is projecting operating revenues for FY 2004 of \$4,095,198 (computed by multiplying 13,383 accounts times the average yearly revenue per account of \$306.00). Note that operating revenue is net of interest income and appropriated retained earnings. A debt issuance of \$183,015 is planned in FY 2004 to fund the purchase of vehicles.

Refuse Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Customer Charges	\$2,994,596	\$3,235,619	\$3,665,283	\$4,028,406	9.91%
Penalties	32,004	24,933	30,000	30,000	0.00%
Interest Earnings	122,118	33,209	7,141	2,746	-61.55%
Transfer-General Fund	36,792	36,792	36,792	36,792	0.00%
Appropriated Retained Earnings	<u>0</u>	<u>0</u>	<u>661,424</u>	<u>687,526</u>	<u>3.95%</u>
Total Revenues	<u>\$3,185,510</u>	<u>\$3,330,553</u>	<u>\$4,400,640</u>	<u>\$4,785,470</u>	<u>8.74%</u>

Refuse Fund Expenses:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$2,203,139	\$2,348,648	\$2,527,627	\$2,697,858	6.73%
Operating Expenses	945,243	956,436	1,045,720	1,146,304	9.62%
Capital Outlays	4,437	(105,927)	10,960	8,000	-27.01%
Administrative Charges	359,474	370,258	381,366	392,807	3.00%
Other Charges	349,050	417,507	417,522	504,370	20.80%
Debt Service	<u>0</u>	<u>9,473</u>	<u>17,445</u>	<u>36,131</u>	<u>107.11%</u>
Total Expenses	<u>\$3,861,343</u>	<u>\$3,996,395</u>	<u>\$4,400,640</u>	<u>\$4,785,470</u>	<u>8.74%</u>

Enterprise Funds

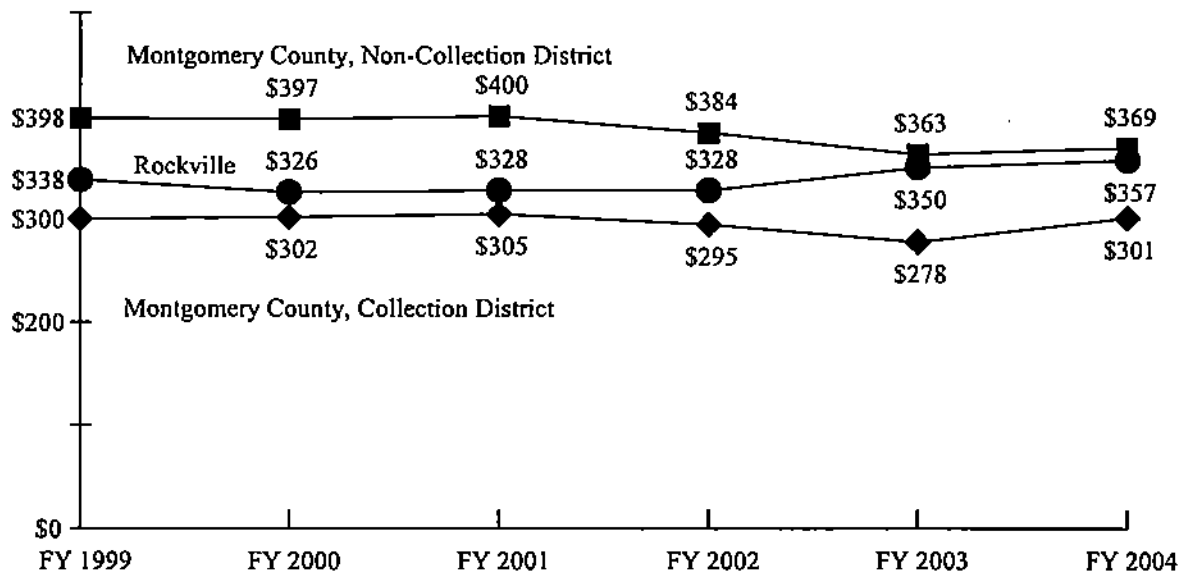
— Continued —

Refuse Fund, continued

Refuse Fund Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Public Works	\$3,099,579	\$3,126,036	\$3,492,070	\$3,678,919	5.35%
Non-Departmental	<u>761,764</u>	<u>870,359</u>	<u>908,570</u>	<u>1,106,551</u>	<u>21.79%</u>
Totals by Department	<u>\$3,861,343</u>	<u>\$3,996,395</u>	<u>\$4,400,640</u>	<u>\$4,785,470</u>	<u>8.74%</u>

Refuse Annual Charge Comparison

FY 1999 - FY 2004



Totals include monthly charges and annual system costs included on tax bills.

Montgomery County, Non-Collection District includes twice per week collection, no leaf vacuuming, no special pick-ups.

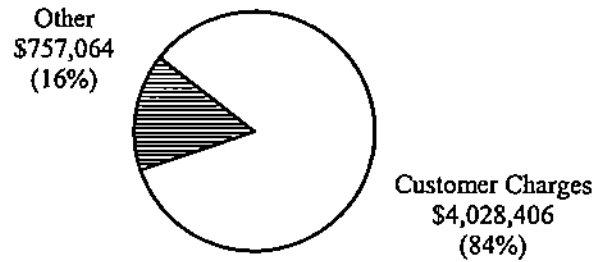
Rockville includes twice per week collection, leaf vacuuming, and unlimited special pick-ups.

Montgomery County, Collection District includes once per week collection, leaf vacuuming, and limited special pick-ups.

Enterprise Funds

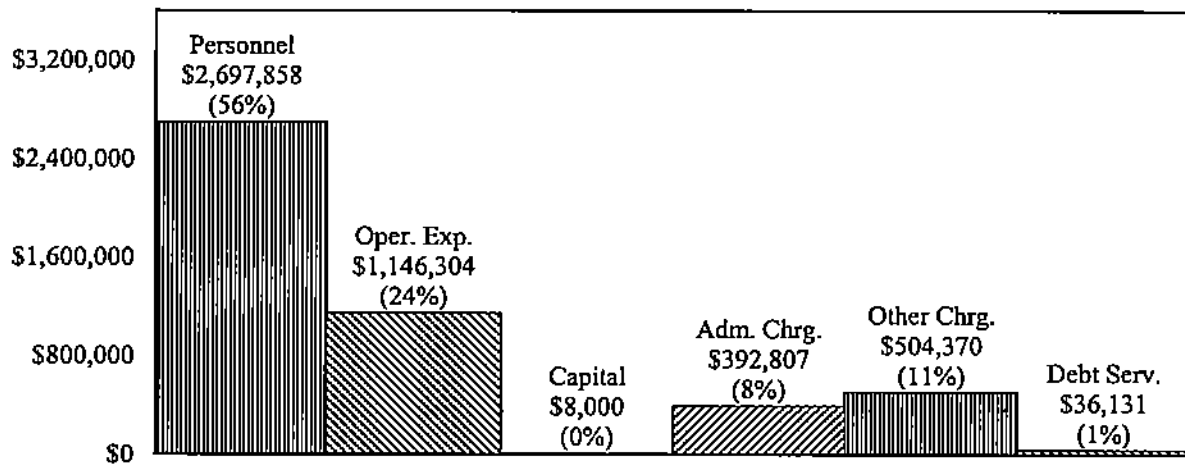
— Continued —

FY 2004 Refuse Fund Revenues of \$4,785,470

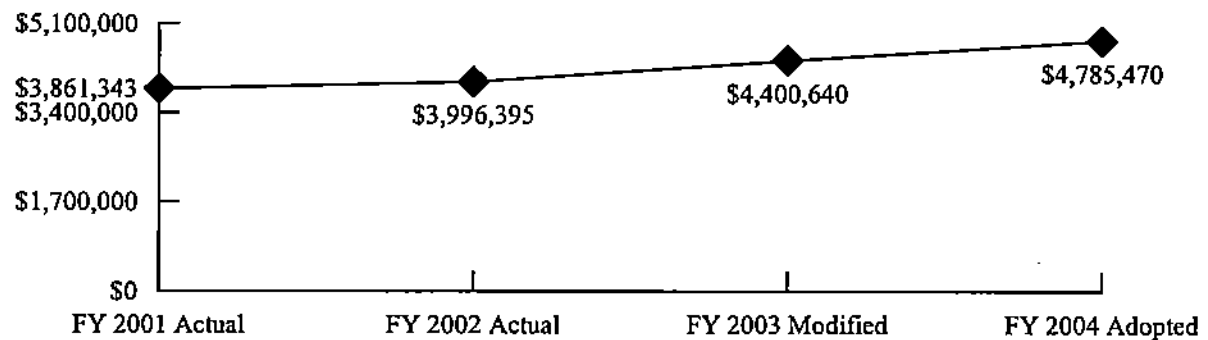


Other represents: Appropriated Retained Earnings \$687,526 or 14%; Transfer from General Fund \$36,792 or less than 1%; Penalties \$30,000 or less than 1%; and Interest Income \$2,746 or less than 1%.

FY 2004 Budget by Type of Expense (total \$4,785,470)



FY 2001 - FY 2004 Expense History



Enterprise Funds

— Continued —

Parking Fund

The Parking Fund was created to account for the revenue and expenses from parking related activities, including the issuance of parking tickets, the parking meter program, and costs associated with the planning, design, construction, or operation of proposed parking garages in the City's Town Center. The operating budget assumes an increase of \$701,350 to the retained earnings in the Parking Fund. Revenue projections are based upon the estimated number of annualized parking violation and parking meter usage rates. In FY 2004, the City is preparing to add up to 525 new meters throughout the City including the Twinbrook Metro area and streets contiguous to City Hall. The operating budget does not reflect the debt service associated with the issuance of revenue bonds for parking garage construction since the financial projections are still under review.

Parking Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Parking Meters	\$0	\$86,096	\$84,000	\$268,818	220.02%
Parking Lot Receipts	12,822	34,937	30,000	15,000	-50.00%
Parking Violations	169,191	165,968	158,826	617,051	288.51%
Interest Income	15,819	14,607	12,094	6,000	-50.39%
Developer Contribution	<u>170,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Total Revenue	<u>\$367,832</u>	<u>\$301,608</u>	<u>\$284,920</u>	<u>\$906,869</u>	<u>218.29%</u>

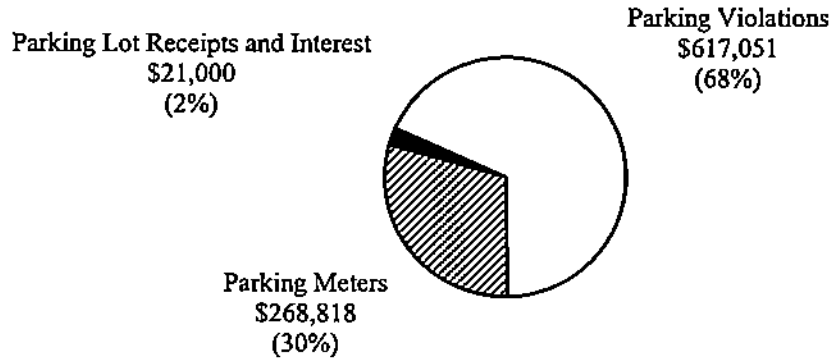
Parking Fund Expenses:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$7,573	\$22,178	\$59,860	\$85,006	42.01%
Operating Expenses	11,827	175,201	97,104	90,513	-6.79%
Capital Outlays	0	1,201	30,000	30,000	0.00%
Addition to Retained Earnings	<u>0</u>	<u>0</u>	<u>97,956</u>	<u>701,350</u>	<u>615.98%</u>
Total Expenses	<u>\$19,400</u>	<u>\$198,580</u>	<u>\$284,920</u>	<u>\$906,869</u>	<u>218.29%</u>

Parking Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Police	\$0	\$17,623	\$166,504	\$189,553	13.84%
Public Works	0	0	1,500	1,900	26.67%
Non-Departmental	<u>19,400</u>	<u>180,957</u>	<u>116,916</u>	<u>715,416</u>	<u>511.91%</u>
Totals by Department	<u>\$19,400</u>	<u>\$198,580</u>	<u>\$284,920</u>	<u>\$906,869</u>	<u>218.29%</u>

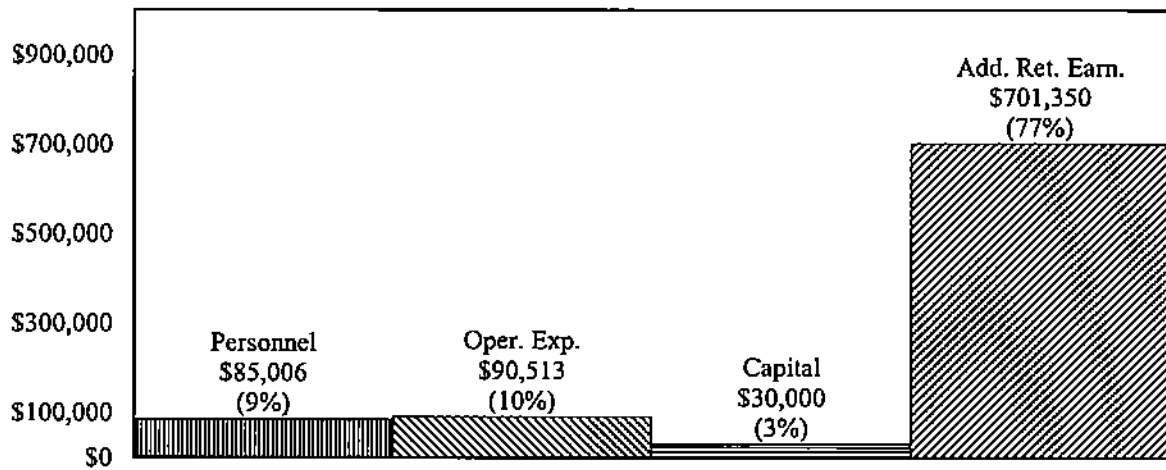
Enterprise Funds

— Continued —

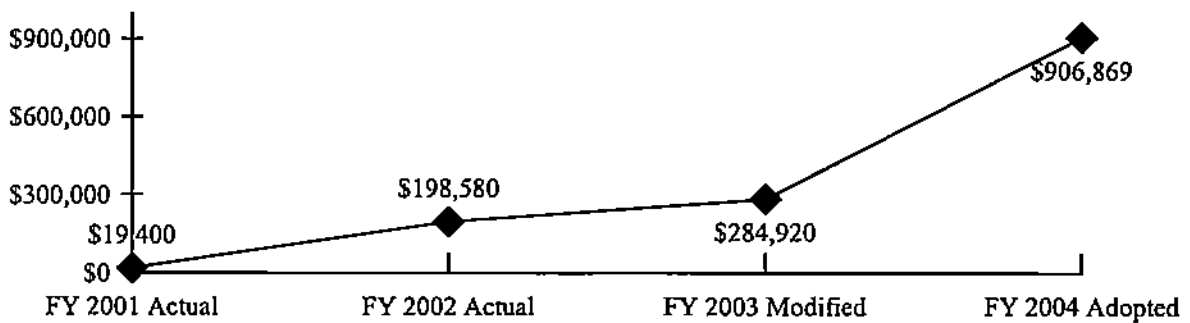
FY 2004 Parking Fund Revenues of \$906,869



FY 2004 Budget by Type of Expense (total \$906,869)



FY 2001 - FY 2004 Expense History



Enterprise Funds

— Continued —

Stormwater Management Fund

The Stormwater Management (SWM) Fund accounts for the costs of maintaining existing SWM facilities and constructing new facilities. In FY 2004, the operating budget assumes a reduction to retained earnings of nearly \$324,000. Revenue estimates are based upon the City's projections regarding the number of permits issued and utility fees charged for services performed. The SWM Fund ending projected undesignated fund balance and cash balance (see pages 48 and 49) are sufficient to cover future capital needs that will help maintain the fund as an ongoing concern.

SWM Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
SWM Permits	\$1,198,277	\$856,710	\$500,000	\$250,000	-50.00%
Regional SWM Participation Fees	336,489	680,116	350,000	200,000	-42.86%
Interest Earnings	465,119	261,523	213,572	134,371	-37.08%
Appropriated Retained Earnings	<u>0</u>	<u>0</u>	<u>350</u>	<u>323,903</u>	<u>92,443.71%</u>
Total Revenues	<u>\$1,999,885</u>	<u>\$1,798,349</u>	<u>\$1,063,922</u>	<u>\$908,274</u>	<u>-14.63%</u>

SWM Fund Expenses:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$304,746	\$301,790	\$345,824	\$391,560	13.23%
Operating Expenses	78,663	124,187	307,650	272,465	-11.44%
Capital Outlays	0	14,505	0	0	0.00%
Administrative Charges	121,766	125,419	129,182	133,057	3.00%
Other Charges	98,527	115,614	110,563	111,192	0.57%
Addition to Retained Earnings	<u>0</u>	<u>0</u>	<u>170,703</u>	<u>0</u>	<u>-100.00%</u>
Total Expenses	<u>\$603,702</u>	<u>\$681,515</u>	<u>\$1,063,922</u>	<u>\$908,274</u>	<u>-14.63%</u>

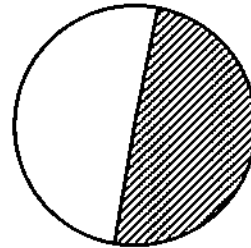
SWM Fund Expenses by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Mayor and Council	\$12,363	\$23,637	\$15,719	\$15,000	-4.57%
Public Works	359,761	413,891	624,982	630,502	0.88%
Non-Departmental	<u>231,578</u>	<u>243,987</u>	<u>423,221</u>	<u>262,772</u>	<u>-37.91%</u>
Totals by Department	<u>\$603,702</u>	<u>\$681,515</u>	<u>\$1,063,922</u>	<u>\$908,274</u>	<u>-14.63%</u>

Enterprise Funds

— Continued —

FY 2004 Stormwater Management Fund of \$908,274

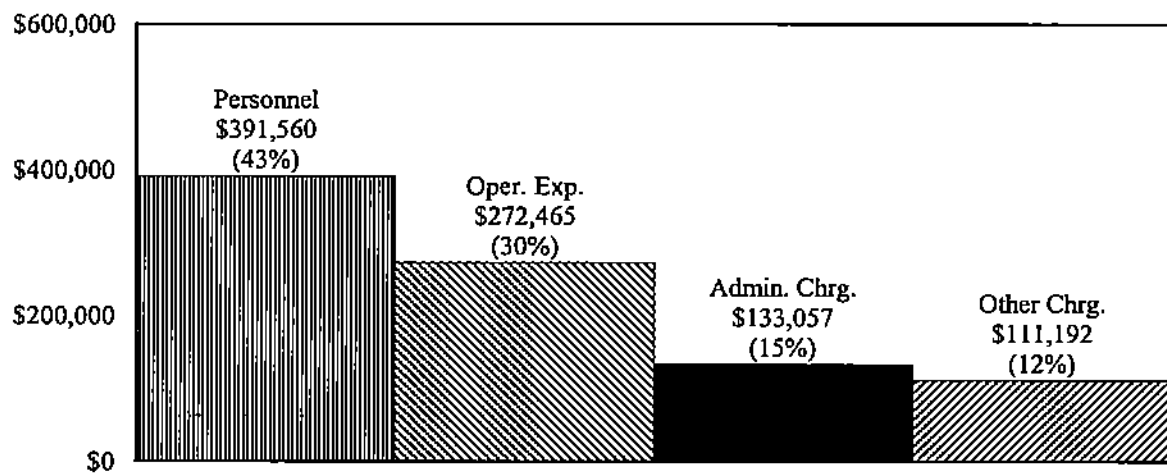
Other
\$458,274
(50%)



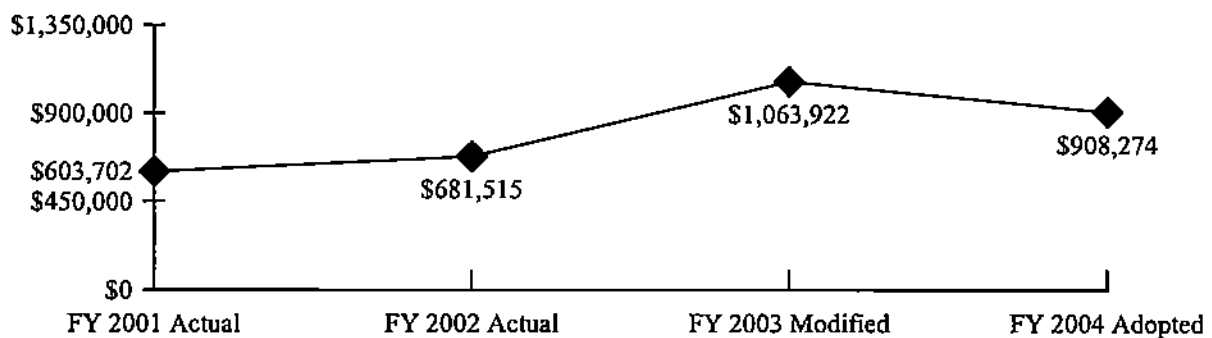
Permits and Fees
\$450,000
(50%)

Other represents Appropriated Retained Earnings \$323,903 or 36% and Interest Income \$134,371 or 15%. Permits and Fees represents SWM permits \$250,000 or 28% and Regional Participation Fees \$200,000 or 22%.

FY 2004 Budget by Type of Expense (total \$908,274)



FY 2001 - FY 2004 Expense History



Enterprise Funds

— Continued —

RedGate Golf Course Fund

The RedGate Golf Course Fund is used to account for the financial activity associated with the City's public golf course. Revenue projections are based upon the average fee per round of play multiplied by the total estimated rounds per fiscal year, and added to the estimated revenue from golf cart rental. The RedGate Golf Course Fund is projecting Golf Course fee revenues for FY 2004 of \$1,108,208 (computed by multiplying 52,000 rounds for the fiscal year by the average fee per round of \$21.31). In January 2002, the City restructured the operations of the golf course and purchased the existing golf cart fleet. As a result, the City receives revenue from the cart rentals, driving range fees, and the rental of the pro shop. The RedGate Golf Course Fund's ending projected undesignated fund balance and cash balance (see pages 48 and 49) are sufficient to cover future capital needs that will help maintain the fund as an ongoing concern.

Golf Course Fund Revenues:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Golf Course Fees	\$936,141	\$999,760	\$1,080,819	\$1,108,208	2.53%
Concessions	66,882	57,066	12,000	12,000	0.00%
Cart Rentals	0	106,835	221,611	245,000	10.55%
Pro Shop Rental	0	0	8,500	8,500	0.00%
Driving Range Fees	0	21	1,500	1,500	0.00%
Interest Income	5,365	844	0	0	0.00%
Appropriated Retained Earnings	<u>0</u>	<u>0</u>	<u>214,511</u>	<u>1,638</u>	<u>-99.24%</u>
Total Revenues	<u>\$1,008,388</u>	<u>\$1,164,526</u>	<u>\$1,538,941</u>	<u>\$1,376,846</u>	<u>-10.53%</u>

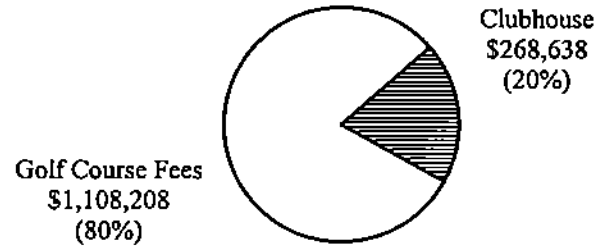
Golf Course Fund Expenses:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Personnel	\$567,498	\$682,887	\$738,423	\$737,659	-0.10%
Operating Expenses	311,707	313,815	389,643	343,938	-11.73%
Capital Outlays	28,892	19,565	55,075	93,740	70.20%
Administrative Charges	149,557	154,044	158,665	163,425	3.00%
Other Charges	159,919	197,219	194,370	38,084	-80.41%
Debt Service	<u>0</u>	<u>1,767</u>	<u>2,765</u>	<u>0</u>	<u>-100.00%</u>
Total Expenses	<u>\$1,217,573</u>	<u>\$1,369,297</u>	<u>\$1,538,941</u>	<u>\$1,376,846</u>	<u>-10.53%</u>

Golf Course Fund by Department:	FY 2001 Actual	FY 2002 Actual	FY 2003 Modified	FY 2004 Adopted	FY 2003-2004 Change
Public Works	\$29,571	\$9,897	\$8,150	\$36,990	353.87%
Recreation and Parks	846,697	945,078	1,125,078	1,083,908	-3.66%
Non-Departmental	<u>341,305</u>	<u>414,322</u>	<u>405,713</u>	<u>255,948</u>	<u>-36.91%</u>
Totals by Department	<u>\$1,217,573</u>	<u>\$1,369,297</u>	<u>\$1,538,941</u>	<u>\$1,376,846</u>	<u>-10.53%</u>

Enterprise Funds

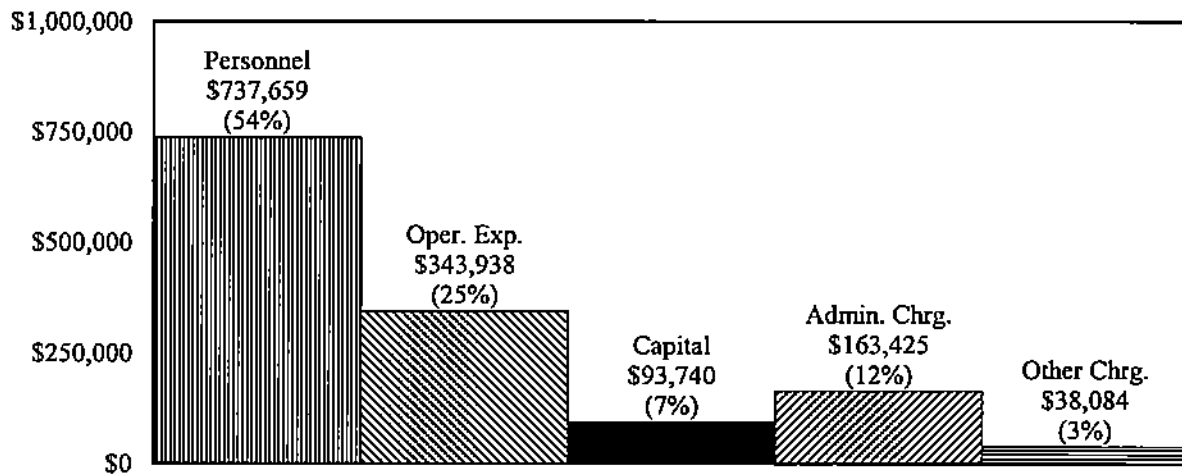
— Continued —

FY 2004 RedGate Golf Course Fund Revenues of \$1,376,846



Clubhouse includes Concessions \$12,000 or 1%; Cart Rentals \$245,000 or 18%; Pro Shop Rentals \$8,500 or 1%; Driving Range Fees \$1,500 or less than 1%; and Appropriated Retained Earnings \$1,638 or less than 1%.

FY 2004 Budget by Type of Expense (total \$1,376,846)



FY 2001 - FY 2004 Expense History

